

*In the opinion of Co-Bond Counsel, under existing law and assuming continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended, including certain covenants described under the caption "TAX MATTERS" herein, interest on the Series 2007 Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excludable from gross income for federal income tax purposes and (b) is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, as amended. Co-Bond Counsel is also of the opinion that interest on the Series 2007 Bonds is not a specific item of tax preference for purposes of calculating the federal alternative minimum tax imposed on corporations and other taxpayers, including individuals. However, interest on the Series 2007 Bonds will be included in the adjusted current earnings of certain corporations for purposes of determining federal corporate alternative minimum tax liability of those corporations. The Series 2007 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (relating to financial institution deductibility of interest expense). See "TAX MATTERS" herein regarding certain other tax considerations.*

**\$25,000,000**

**ST. LOUIS MUNICIPAL FINANCE CORPORATION  
POLICE CAPITAL IMPROVEMENTS SALES TAX LEASEHOLD REVENUE BONDS  
SERIES 2007  
(City of St. Louis, Missouri, Lessee)**

**Dated: Date of Delivery**

**Due: February 15, as shown on the inside cover**

The St. Louis Municipal Finance Corporation Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007 (City of St. Louis, Missouri, Lessee) (the "Series 2007 Bonds"), are being issued by the St. Louis Municipal Finance Corporation (the "Corporation"), a nonprofit corporation organized and existing under the laws of the State of Missouri (the "State"). The Series 2007 Bonds will be issued under and secured by an Indenture of Trust dated as of December 1, 2007 (the "Indenture"), by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the "Trustee"). The proceeds of the Series 2007 Bonds will be used to (i) pay the costs of the Project (as defined herein), (ii) purchase a municipal bond debt service reserve insurance policy to satisfy the debt service reserve requirement for the Series 2007 Bonds, and (iii) pay the costs of issuance of the Series 2007 Bonds.

The Series 2007 Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of the Series 2007 Bonds will be made in book-entry form in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. Purchasers will not receive certificates representing their interests in the Series 2007 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2007 Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series 2007 Bonds.

Principal on the Series 2007 Bonds will be payable as set forth on the inside front cover of this Official Statement. The Series 2007 Bonds will bear interest from their dated date, payable beginning February 15, 2008, and semiannually thereafter on February 15 and August 15 of each year. Payments of principal of, premium, if any, and interest on the Series 2007 Bonds will be made by the Trustee to Cede & Co., as nominee for DTC, for disbursement to the DTC Participants (as herein defined) for subsequent disbursement to the Beneficial Owners of the Series 2007 Bonds. The Series 2007 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as fully described herein.

The scheduled payment of principal of and interest on the Series 2007 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2007 Bonds by FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS - Bond Insurance Policy" herein.



See the inside cover page for maturities, principal amounts, interest rates and yields.

The Series 2007 Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the rentals and certain other revenues and receipts derived by the Corporation pursuant to the Lease Purchase Agreement (as herein described) and are secured by a pledge and assignment of the Trust Estate (as defined in the Indenture) to the Trustee pursuant to the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation, the Board of Police Commissioners of the Metropolitan Police Department of the City of St. Louis, Missouri (the "Police Board") or the City of St. Louis, Missouri (the "City"), shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Purchase Agreement for anything done or omitted to be done by the Corporation thereunder. The Series 2007 Bonds and interest thereon shall not be a debt of the City, the Police Board or of the State and neither the City, the Police Board nor the State shall be liable thereon, and the Series 2007 Bonds shall not constitute an indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction. The obligation of the City to make rental payments is subject to annual appropriation by the City of St. Louis Board of Aldermen. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS" herein.

The purchase of the Series 2007 Bonds is subject to certain risks and may not be a suitable investment for all persons. Prospective purchasers should carefully evaluate the risks and merits of investing in the Series 2007 Bonds. See "BONDHOLDERS' RISKS."

The Series 2007 Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to prior placement, withdrawal or modification of the offer without notice, and subject to the approval of the validity of the Series 2007 Bonds by King Hershey, PC and White Coleman & Associates, LLC, Co-Bond Counsel, and certain other conditions referred to herein. Certain legal matters will be passed upon for the Corporation, the City and the Police Board, by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP and Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC. It is expected that the Series 2007 Bonds will be available for delivery to DTC in New York, New York on or about December 13, 2007.

**Wachovia Securities**

**Siebert, Brandford Shank & Co., LLC**

**Piper Jaffray**

**Rice Financial Products Company**

*This cover page contains information for reference only. It is not a complete summary of the Series 2007 Bonds. Investors must read the entire Official Statement, including the cover page and Appendices hereto to obtain information essential to making an informed investment decision. Capitalized terms used but not defined on this cover page have the meanings provided herein.*

**MATURITIES, PRINCIPAL AMOUNTS,  
INTEREST RATES AND PRICES OR YIELDS**

**\$25,000,000**

**ST. LOUIS MUNICIPAL FINANCE CORPORATION  
POLICE CAPITAL IMPROVEMENTS SALES TAX LEASEHOLD REVENUE BONDS  
SERIES 2007  
(City of St. Louis, Missouri, Lessee)**

<b>Stated Maturity February 15</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Number</b>
2008	\$1,120,000	4.000%	3.15%	79165PAA7
2009	255,000	4.000	3.18	79165PAB5
2010	265,000	4.000	3.21	79165PAC3
2011	280,000	4.000	3.27	79165PAD1
2012	290,000	4.000	3.35	79165PAE9
2013	300,000	4.000	3.42	79165PAF6
2014	315,000	4.000	3.51	79165PAG4
2015	325,000	4.000	3.60	79165PAH2
2016	340,000	3.625	3.70	79165PAJ8
2017	350,000	3.750	3.80	79165PAK5
2018	365,000	4.000	3.92	79165PAL3
2019	380,000	4.000	4.02	79165PAM1
2020	395,000	4.000	4.11	79165PAN9
2021	810,000	4.100	4.19	79165PAP4
\$1,725,000	5.000% Term Bond due February 15, 2023, to yield 4.24%* CUSIP No.: 79165PAQ2			
\$1,900,000	4.250% Term Bond due February 15, 2025, to yield 4.45% CUSIP No.: 79165PAR0			
\$3,165,000	4.375% Term Bond due February 15, 2028, to yield 4.54% CUSIP No.: 79165PAS8			
\$275,000	5.000% Term Bond due February 15, 2033, to yield 4.51%* CUSIP No.: 79165PAT6			
\$6,010,000	4.500% Term Bond due February 15, 2033, to yield 4.62% CUSIP No.: 79165PAW9			
\$6,135,000	4.500% Term Bond due February 15, 2037, to yield 4.69% CUSIP No.: 79165PAV1			

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\* Priced to the par call date of February 15, 2018.

This Official Statement is provided in connection with the initial offering and sale of the Series 2007 Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Corporation, the City, the Police Board, Financial Security and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Corporation, the City, the Police Board, Financial Security or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2007 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Corporation, the City or Financial Security since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

The Series 2007 Bonds have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption contained in Section 3(a)(2) of such act. The Indenture has not been qualified under the Trust Indenture Act of 1939, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2007 Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2007 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2007 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Other than with respect to information concerning Financial Security contained under the caption " SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS – Bond Insurance Policy", APPENDIX G – "Form of Municipal Bond Insurance Policy" and APPENDIX H – "Form of Municipal Bond Debt Service Reserve Insurance Policy", none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2007 Bonds; or (iii) the tax exempt status of the interest on the Series 2007 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

#### CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act and reflect the Corporation's or the City's current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Included in such risks and uncertainties are (i) those relating to the possible invalidity of the underlying assumptions and estimates, (ii) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances, and (iii) conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately. For these reasons, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Undue reliance should not be placed on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Corporation, the City and the Police Board on the date hereof, and the Corporation, the City and the Police Board assume no obligation to update any such forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur, other than as indicated under the caption "CONTINUING DISCLOSURE."

## **THE CITY OF ST. LOUIS**

### **ELECTED OFFICIALS**

Francis G. Slay, Mayor  
Darlene Green, Comptroller  
Lewis E. Reed, President of the Board of Aldermen  
Larry C. Williams, Treasurer

### **BOARD OF ALDERMEN**

Charles Quincy Troupe	Ward 1	Jennifer Florida	Ward 15
Dionne Flowers	Ward 2	Donna Baringer	Ward 16
Freeman Bosley, Sr.	Ward 3	Joseph D. Roddy	Ward 17
Samuel L. Moore	Ward 4	Terry Kennedy	Ward 18
April Ford Griffin	Ward 5	Marlene Davis	Ward 19
Kacie Starr Triplett	Ward 6	Craig Schmid	Ward 20
Phyllis Young	Ward 7	Bennice Jones-King	Ward 21
Stephen J. Conway	Ward 8	Jeffrey Boyd	Ward 22
Kenneth Ortmann	Ward 9	Kathleen Hanrahan	Ward 23
Joseph Vollmer	Ward 10	William Waterhouse	Ward 24
Matt Villa	Ward 11	Dorothy Kirner	Ward 25
Fred Heitert	Ward 12	Frank Williamson	Ward 26
Alfred J. Wessels, Jr.	Ward 13	Gregory J. Carter	Ward 27
Stephen Gregali	Ward 14	Lyda Krewson	Ward 28

## **ST. LOUIS MUNICIPAL FINANCE CORPORATION**

### **BOARD OF DIRECTORS**

Ivy Neyland-Pinkston	President
Ronald H. Smith	Vice President
Tom Shepard	Vice President
Stephen J. Kovac	Secretary
Paul Payne	Treasurer

### **OTHER CITY OFFICIALS**

Ivy Neyland-Pinkston, Deputy Comptroller for Finance and Development  
Elaine Harris Spearman, Legal Advisor to the Comptroller  
Candice Gordon, Accounting Executive  
Patricia A. Hageman, City Counselor  
Stephen J. Kovac, Deputy City Counselor

### **BOARD OF ESTIMATE AND APPORTIONMENT**

Francis G. Slay, Mayor  
Darlene Green, Comptroller  
Lewis E. Reed, President of the Board of Aldermen

### **FINANCIAL ADVISOR**

P. G. Corbin & Company, Inc.  
Philadelphia, Pennsylvania

### **INVESTMENT ADVISOR**

Columbia Capital Management LLC  
Mission, Kansas

## **BOARD OF POLICE COMMISSIONERS OF THE METROPOLITAN POLICE DEPARTMENT OF THE CITY OF ST. LOUIS, MISSOURI**

Colonel Chris Goodson, President  
Colonel JoAnn Freeman Morrow, Vice President  
Colonel Julius Hunter, Purchasing Member  
Colonel Vincent J. Bommarito, Treasurer  
Honorable Francis G. Slay, Mayor  
Major Paul M. Nocchiero, Secretary to the Board

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## OFFICIAL STATEMENT

Relating to

\$25,000,000

**ST. LOUIS MUNICIPAL FINANCE CORPORATION  
POLICE CAPITAL IMPROVEMENTS SALES TAX LEASEHOLD REVENUE BONDS  
SERIES 2007  
(City of St. Louis, Missouri, Lessee)**

### INTRODUCTION

*The information in this section is furnished solely to provide limited introductory information regarding the terms of St. Louis Municipal Finance Corporation's Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007 (City of St. Louis, Missouri, Lessee) (the "Series 2007 Bonds") and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the cover page and the Appendices hereto. The order and placement of materials in this Official Statement, including the information on the cover page and the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Capitalized terms used and not defined herein are defined under the section **"DEFINITIONS OF WORDS AND TERMS"** set forth in APPENDIX C to this Official Statement.*

### The Issuer

The issuer of the Series 2007 Bonds is the St. Louis Municipal Finance Corporation (the "Corporation"), a nonprofit corporation duly organized and existing under the Missouri Nonprofit Corporation Act. See **"ST. LOUIS MUNICIPAL FINANCE CORPORATION"** herein.

### Authorization for the Series 2007 Bonds

The Series 2007 Bonds are issued under the authority of the constitution and laws of the State of Missouri (the "State"), including Section 100.155 of the Revised Statutes of Missouri, as amended, Ordinance No. 67618, adopted by the Board of Aldermen on July 20, 2007, and approved by the Mayor on July 30, 2007 (the "Ordinance"), a resolution of the Board of Directors of the Corporation adopted on November 5, 2007, and a resolution of the Board of Police Commissioners (the "Police Board") of the Metropolitan Police Department of the City of St. Louis, Missouri (the "Police Department") adopted on October 17, 2007. The Series 2007 Bonds will be issued under and secured by an Indenture of Trust dated as of December 1, 2007 (the "Indenture"), by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the "Trustee").

### Use of Proceeds of the Series 2007 Bonds

The City, in cooperation with the Police Board, plans to design, acquire, purchase, construct and install certain emergency management and preparedness and public health and safety projects, including (i) capital improvements (the "Premises Improvements") to three area command stations located in the geographical boundaries of the City and owned by the Police Board (the "Premises"), (ii) improvements to other buildings that are owned by the Police Board, including the headquarters for the Police Department and the Police Academy ("Other Improvements" and, together with the Premises Improvements, the "Improvements"), and (ii) certain interoperable communications equipment to be used

by the City police, fire and EMS personnel (the "Communications Property" and, together with the Improvements, the "Project"). See "**THE PROJECT**" herein.

The proceeds of the Series 2007 Bonds will be used to (i) pay the costs of the Project, (ii) purchase a municipal bond debt service reserve insurance policy to satisfy the debt service reserve requirement for the Series 2007 Bonds, and (iii) pay the costs of issuance of the Series 2007 Bonds. For a more detailed description of the Project, see "**THE PROJECT**" herein.

### **Security and Sources of Payment for the Series 2007 Bonds**

The Series 2007 Bonds and the interest thereon are special obligations of the Corporation payable solely out of payments made by the City to the Corporation, herein referred to as the Rentals or any Additional Rentals, in consideration of the Corporation leasing the Property (as defined herein) to the City pursuant to a Lease Purchase Agreement, dated as of December 1, 2007, by and among the City, the Corporation and the Police Board (the "Lease Purchase Agreement").

Pursuant to a Communications Property Base Lease, dated as of December 1, 2007, between the City and the Corporation (the "Communications Property Base Lease"), the City will lease to the Corporation a leasehold interest in the Communications Property. Pursuant to a Premises Base Lease, dated as of December 1, 2007, between the Police Board and the Corporation (the "Premises Base Lease"), the Police Board will lease the Premises to the Corporation. See "**THE PROJECT – Premises Improvements**" herein. Pursuant to the Lease Purchase Agreement, (i) the Corporation will lease the Premises, the Premises Improvements and the Communications Property (collectively, the "Property") to the City, and (ii) the City will sublet the Premises and the Premises Improvements (collectively, the "Facilities") to the Police Board.

In consideration of the City subletting the Facilities to the Police Board and to provide payment for a portion of the Rentals and Additional Rentals due from the City that are related to the Improvements, the Police Board has agreed to make payments to the City (the "Board Rentals") equal in amount to the portion of the Capital Improvements Sales Tax collections on deposit in the Police Department Capital Improvements Account (the "Police Capital Improvements Account") of the Capital Improvements Sales Tax Fund (the "Sales Tax Fund") that is appropriated by the City to the Police Board each year for such purpose. Pursuant to the Lease Purchase Agreement, the City has assigned its rights to the Board Rentals and the payments by the Police Board of the Board Rentals directly to the Corporation. For more information, see "**CAPITAL IMPROVEMENTS SALES TAX**" and "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS**" herein.

The Series 2007 Bonds are further secured by a Deed of Trust, the lien of which will encumber the Corporation's leasehold interest in the Property. Payment of principal of and interest on the Series 2007 Bonds will be on a parity with the payment of any Additional Bonds that may be issued pursuant to a Supplemental Indenture. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS – Additional Bonds**" herein.

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2007 Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Series 2007 Bonds (the "Bond Insurance Policy"). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2007 Bonds when due as set forth in the form of the Bond Insurance Policy included as APPENDIX G to this Official Statement. See "**SECURITY AND SOURCES OF**



**PAYMENT FOR THE SERIES 2007 BONDS – Bond Insurance Policy**" herein and the specimen Bond Insurance Policy included as APPENDIX G.

### **Municipal Bond Debt Service Reserve Insurance Policy**

Financial Security also has committed to issue, effective as of the date on which the Series 2007 Bonds are delivered, a Municipal Bond Debt Service Reserve Insurance Policy (the "Debt Service Reserve Policy"), which unconditionally guarantees the payment of that portion of the principal of and interest on the Series 2007 Bonds which has become due for payment, but remains unpaid by reason of nonpayment by the Corporation; provided that the aggregate amount paid under the Debt Service Reserve Policy may not exceed the maximum amount set forth in the Debt Service Reserve Policy. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS – Debt Service Reserve Policy"** herein and the specimen Debt Service Reserve Policy included as APPENDIX H to this Official Statement.

### **Definitions and Summaries of Certain Legal Documents**

Capitalized terms used and not defined herein are defined under the section **"DEFINITIONS OF WORDS AND TERMS"** set forth in APPENDIX C to this Official Statement. Summaries of the Indenture, the Premises Base Lease, the Communications Property Base Lease, the Lease Purchase Agreement and certain other matters are set forth in APPENDIX D to this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Premises Base Lease, the Communications Property Base Lease, the Lease Purchase Agreement, the Tax Compliance Agreement and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents. Copies or the definitive form, as applicable, of such documents may be reviewed prior to delivery of the Series 2007 Bonds at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2007 Bonds at the office of the Trustee, UMB Bank, N.A., St. Louis, Missouri, 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

### **Changes from the Preliminary Official Statement**

This Official Statement includes certain information that was not available for inclusion in the Preliminary Official Statement dated November 2, 2007, including par amounts, maturities, interest rates, yields, prices and other terms of the Series 2007 Bonds, use of proceeds of the Series 2007 Bonds and information about Financial Security and the Bond Insurance Policy and the Debt Service Reserve Policy provided by Financial Security. Purchasers of the Series 2007 Bonds should read this Official Statement in its entirety.

## **THE SERIES 2007 BONDS**

### **General**

The Series 2007 Bonds shall consist of one series of bonds in an aggregate principal amount of \$25,000,000 designated the St. Louis Municipal Finance Corporation Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007 (City of St. Louis, Missouri, Lessee).

The Series 2007 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, will be dated the date of delivery, and will bear interest on a current basis from that date, payable beginning February 15, 2008, and semi-annually thereafter on each February 15 and August 15, at the rates, and will mature on February 15 in the years set forth on the inside cover page hereof.

Interest on the Series 2007 Bonds will be payable by check or draft mailed to the registered owner as of the close of business the next preceding Record Date. Upon written request of any holder of at least \$1,000,000 principal amount of Series 2007 Bonds, payment of interest to such Holder will be made by electronic transfer. Payment of principal, and premium, if any, of the Series 2007 Bonds, will be made upon presentation and surrender of the Series 2007 Bonds at the principal corporate trust office of the Trustee or such other office as the Trustee shall designate.

The Series 2007 Bonds will be subject to optional, mandatory and extraordinary redemption prior to maturity as described below.

### **Book-Entry System**

The Series 2007 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Ownership interests in the Series 2007 Bonds will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by DTC, which will act as securities depository for the Series 2007 Bonds. No Beneficial Owners (as defined herein) will receive certificates representing their respective interest in the Series 2007 Bonds, except in the event the Corporation issues replacement bonds. Initially, one fully-registered certificate will be issued for each maturity of the Series 2007 Bonds, in the aggregate principal amount of each maturity of the Series 2007 Bonds, and will be deposited with DTC. See APPENDIX E – "Book-Entry System."

THE CITY, THE CORPORATION, THE BOARD, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2007 BONDS; (III) THE DELIVERY BY ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2007 BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

## Optional Redemption

The Series 2007 Bonds, including portions thereof, maturing in the year 2019 and thereafter shall be subject to optional redemption and payment prior to their Stated Maturity at the election of the Corporation, upon direction and instructions from the City, on and after February 15, 2018, and at any time thereafter, as a whole or in part at any time, and if in part in such Stated Maturity and amounts as the Corporation shall determine, upon the direction and instruction by the City in its sole discretion, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date.

## Mandatory Sinking Fund Redemption

The Series 2007 Bonds, including portions thereof, maturing on February 15, 2023, 2025, 2028, 2033 and 2037 (the "Term Bonds") shall be subject to mandatory redemption and payment prior to maturity pursuant to the sinking fund requirements set forth below at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date:

### Term Bond Maturing on February 15, 2023

<u>Year</u>	<u>Principal Amount</u>
2022	\$840,000
2023	\$885,000*

### Term Bond Maturing on February 15, 2025

<u>Year</u>	<u>Principal Amount</u>
2024	\$930,000
2025	\$970,000*

### Term Bond Maturing on February 15, 2028

<u>Year</u>	<u>Principal Amount</u>
2026	\$1,010,000
2027	\$1,055,000
2028	\$1,100,000*

### Term Bond in the Principal Amount of \$275,000 Maturing on February 15, 2033

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2029	\$50,000	2032	\$55,000
2030	\$55,000	2033	\$60,000*
2031	\$55,000		

### Term Bond in the Principal Amount of \$6,010,000 Maturing on February 15, 2033

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2029	\$1,100,000	2032	\$1,255,000
2030	\$1,145,000	2033	\$1,310,000*
2031	\$1,200,000		

Term Bond Maturing on February 15, 2037

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2034	\$1,435,000	2036	\$1,565,000
2035	\$1,500,000	2037	\$1,635,000*

\* Final maturity.

**Extraordinary Redemption**

The Series 2007 Bonds shall be subject to extraordinary redemption and payment prior to their Stated Maturities by the Corporation, upon instructions from the City, on any date upon the occurrence of any of the following conditions or events, provided the Series 2007 Bonds so redeemed are redeemed and paid according to their terms:

(1) if title to, or the use of, substantially all of the Property is condemned by any authority having the power of eminent domain;

(2) if the Corporation's interest in substantially all of the Property is found to be deficient or nonexistent to the extent that the Property is untenable or the efficient utilization of the Property by the City is impaired;

(3) if substantially all of the Property is damaged or destroyed by fire or other casualty; or

(4) if as a result of changes in the Constitution of the State, or of legislative or administrative action by the State or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Lease Purchase Agreement shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the City or the Corporation.

Series 2007 Bonds redeemed pursuant to this paragraph shall be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date fixed for redemption and payment without a premium.

**Selection of Series 2007 Bonds to be Redeemed**

Series 2007 Bonds shall be redeemed in Authorized Denominations. In the case of a partial redemption of the Series 2007 Bonds, such Series 2007 Bonds to be redeemed shall be selected by the Corporation, upon the direction of the City, from the Outstanding Series 2007 Bonds by lot or such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Outstanding Series 2007 Bonds of a denomination larger than \$5,000.

**Notice and Effect of Call for Redemption**

Notice of any redemption of Series 2007 Bonds shall be given by the Trustee, by mailing a copy of the redemption notice by first class mail, postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the Redemption Date to each Holder of Series 2007 Bonds to be redeemed, at the address appearing on the Bond Register. All notices of redemption shall (i) identify the Series 2007 Bonds to be redeemed by the name of the issue (including the name of the issuer and any series designation), CUSIP number, if any, Dated Date, interest rate, Stated Maturities and any other descriptive information the Trustee deems desirable to accurately identify the Series 2007 Bonds to be redeemed and,

if only a portion of the Series 2007 Bonds will be redeemed, the certificate numbers and the principal amount of the Series 2007 Bonds to be redeemed, (ii) identify the date on which the notice is published and the Redemption Date, (iii) states the price at which the Series 2007 Bonds will be redeemed, (iv) state that interest on the Series 2007 Bonds or the portions of Series 2007 Bonds called for redemption will stop accruing from the Redemption Date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the Redemption Date, and (v) states that payment for the Series 2007 Bonds will be made on the Redemption Date at the principal corporate trust office of the Trustee, or such other office as the Trustee designates, during normal business hours upon the surrender of the Series 2007 Bonds to be redeemed in whole or in part.

Prior to any date fixed for redemption pursuant to the Indenture and prior to the giving of notice of redemption (other than mandatory sinking fund redemption) of any Series 2007 Bonds (unless such notice shall state that the foregoing redemptions will be made only to the extent there are funds available therefor), there shall be deposited with the Trustee funds sufficient, or United States Government Obligations maturing as to principal and interest at such times and in such amounts as to provide funds sufficient, to pay the principal of Series 2007 Bonds to be called for redemption and accrued interest thereon on the Redemption Date and the redemption premium, if any, provided, however, the requirements for such deposit need not be met to the extent such redemption is to be made with the proceeds of Additional Bonds to be issued to refund all or part of the Series 2007 Bonds to be redeemed. Any redemption pursuant to the Indenture shall be made only from and/or to the extent of the funds or United States Government Obligations so deposited with the Trustee. Upon the happening of the above conditions, and notice having been given as described above, the Series 2007 Bonds or the portions of the principal amount of Series 2007 Bonds thus called for redemption shall cease to bear interest on their Redemption Date, provided funds, or United States Governmental Obligations sufficient for the payment of principal of, redemption premium, if any, and accrued interest are on deposit at the place of payment at that time, and shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

### **Registration, Transfer and Exchange**

The registration of the transfer of any Series 2007 Bond may be made only upon surrender of such Series 2007 Bonds to the Trustee duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. The Series 2007 Bonds, upon surrender thereof at the principal corporate trust office of the Trustee, together with a written instrument of transfer duly executed by the registered owner thereof or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Series 2007 Bonds of the same Stated Maturity, of any denomination or denominations authorized by the Indenture, and bearing interest at the same rate. The record date for the payment of interest on the Series 2007 Bonds is the fifteenth day (whether or not a Business Day) of the calendar month preceding the month of each interest payment date. The Series 2007 Bonds are being issued in book-entry form with a single global bond certificate for each maturity of the Series 2007 Bonds to be delivered by the Corporation to the initial purchasers for deposit with DTC. The Series 2007 Bonds shall be registered on the Bond Register in the name of Cede & Co., as nominee of DTC. For so long as Cede & Co. is the registered owner of the Series 2007 Bonds, all such payments will be made to Cede & Co.

## **THE PROJECT**

The City and the Board will cooperate to design, acquire, purchase, construct and install certain emergency management and preparedness and public health and safety projects, including the Communications Property, the Premises Improvements and the Other Improvements, each of which is described in more detail below.

### **Communications Property**

A portion of the proceeds of the Series 2007 Bonds will be used to pay for the cost of purchasing and installing equipment for a new interoperable communications system for the City. The communications system will allow the City's emergency response personnel, including the police and fire departments, to communicate with emergency response personnel in surrounding governmental entities, including St. Louis County, Missouri. The Communications Property includes infrastructure equipment to be installed in the Police Department's Communications Center and mobile radio units.

### **Premises Improvements**

A portion of the proceeds of the Series 2007 Bonds will be used by the Police Board to pay for the costs of capital improvements to the Premises, herein referred to as the "Premises Improvements", which include, but are not limited to, electrical and HVAC improvements, roof replacement and certain other renovations to the Premises.

The Premises consist of three area command stations, each of which is a one-story structure totaling more than 17,500 square feet. The Area I command station is located at 3157 Sublette Avenue and houses Districts 1, 2 and 3, the Area II command station is located at 919 N. Jefferson and houses Districts 4, 5 and 9, and the Area III command station is located at 4014 Union and houses Districts 6, 7 and 8.

The Premises are the only Police Board property leased by the Police Board to the Corporation under the Premises Base Lease. No other facilities or buildings of the Police Board are leased under the Premises Base Lease and only the Corporation's leasehold interest in the Facilities has been sublet to the City pursuant to the Lease Purchase Agreement.

### **Other Improvements**

A portion of the proceeds of the Series 2007 Bonds will be used by the Police Board to pay for the costs of capital improvements to other buildings that are owned by the Police Board, herein referred to as the "Other Improvements", including the headquarters for the Police Department and the Police Academy. Such capital improvements consist of, but are not limited to, electrical and HVAC improvements, roof replacement and other renovations to certain of the Police Board facilities.

## THE CAPITAL IMPROVEMENTS SALES TAX

### Overview

Pursuant to Section 94.577 of the Revised Statutes of Missouri and Ordinance No. 62885, in 1993, the voters of the City approved the City's imposition and collection of an one-half of one percent capital improvements sales tax (the "Capital Improvements Sales Tax") on all retail sales made in the City which are subject to taxation under the provisions of Sections 144.010 to 144.525 of the Revised Statutes of Missouri (the "Sales Tax Law") for the purpose of providing funding for capital improvements including operation and maintenance of capital improvements. The Capital Improvements Sales Tax revenues are required to be deposited into the Sales Tax Fund, which consists of five accounts, including the Police Capital Improvements Account. Moneys in the Police Capital Improvements Account may be used only to pay capital improvement projects of the Police Board. Ten percent (10%) of the Capital Improvements Sales Tax collections is deposited into the Police Capital Improvements Account and is available to fund capital improvements of the Police Department, including the operation and maintenance of such capital improvements.

All expenditures from the Police Capital Improvements Account are subject to annual appropriation by the Board of Aldermen. The City has agreed that during each fiscal year, which currently ends on June 30 of each calendar year (the "Fiscal Year"), or portion thereof in which the Series 2007 Bonds remain outstanding, the City will not use the Capital Improvements Sales Tax revenues deposited in the Police Capital Improvements Account in the then-current Fiscal Year for any purpose other than making payments of Rentals and Additional Rentals during such then-current Fiscal Year unless such Rentals and Additional Rentals have been provided for.

### Capital Improvements Sales Tax Revenues

Fiscal Year 2007 deposits into the Police Capital Improvements Account totaled \$1,766,649. The following table sets forth the Capital Improvements Sales Tax collections during the past ten years and the portion of that amount that was deposited into the Police Capital Improvements Account.

<b>Fiscal Year</b>	<b>0.5% Capital Improvements Sales Tax</b>	<b>Police Capital Improvements Account Deposit</b>
1998	\$16,849,980	\$1,684,998
1999	17,213,632	1,721,363
2000	17,641,180	1,764,118
2001	18,221,230	1,822,123
2002	17,247,760	1,724,776
2003	16,805,450	1,680,545
2004	16,341,010	1,634,101
2005	16,725,140	1,672,514
2006	17,179,500	1,717,950
2007	17,666,494	1,766,649

All expenditures from the Police Capital Improvements Account are made pursuant to annual appropriation by the City's Board of Aldermen. For a discussion of the City's sales taxes, see APPENDIX A – "Information Regarding The City of St. Louis, Missouri – Financial Management and Expenditure Controls" hereto.

## **Appropriation**

THE CITY CANNOT BE LEGALLY OBLIGATED TO APPROPRIATE FUNDS TO PAY RENTALS AND ADDITIONAL RENTALS UNDER THE LEASE PURCHASE AGREEMENT AND THE CAPITAL IMPROVEMENTS SALES TAX COLLECTIONS ARE NOT PLEDGED OR OTHERWISE COMMITTED TO PAY DEBT SERVICE ON THE SERIES 2007 BONDS. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS"** herein. The Capital Improvements Sales Tax collections shall be expended only by appropriations by the City's Board of Aldermen. It is anticipated that the Board of Aldermen will appropriate each year, from the Police Capital Improvements Account, the amounts required to pay all Rentals and Additional Rentals required by the Lease Purchase Agreement.

The City has agreed that during each Fiscal Year or portion thereof in which the Series 2007 Bonds remain outstanding, the City will not use the Capital Improvements Sales Tax collections on deposit in the Police Capital Improvements Account of the Sales Tax Fund in the then-current Fiscal Year for any purpose other than making payments of Rentals and Additional Rentals under the Lease Purchase Agreement during the then-current Fiscal Year, unless such payments of Rentals and Additional Rentals, if any, have been provided for. Any money remaining in the Police Capital Improvements Account after the payment or provision for payment of such rental payments may be used by the City for other capital improvements of the Police Department.

## **Collection, Distribution and Enforcement**

***Seller's Obligation to Report and Pay Sales Tax.*** Every retailer operating within the City is required to add the Capital Improvements Sales Tax imposed to the retailer's sale price, such that the Capital Improvements Sales Tax shall constitute a part of the price, shall be a debt of the purchaser to the retailer until paid and shall be recoverable at law in the same manner as the purchase price. The Capital Improvements Sales Tax applies to all sellers engaging in the sale of tangible personal property or rendering taxable services at retail to the extent and in the manner provided in the Sales Tax Law and the rules and regulations of the State of Missouri Department of Revenue (the "Department of Revenue"). All exemptions granted to agencies of government, organizations, persons and to the sale of certain articles and items of tangible personal property and taxable services pursuant to the provisions of the Sales Tax Law are applicable to the imposition and collection of the Capital Improvements Sales Tax. All discounts allowed the retailer pursuant to the provisions of the Sales Tax Law for the collection of and for payment of sales taxes pursuant to such laws are allowed and made applicable to the collection of the Capital Improvements Sales Tax. Pursuant to state law, sellers who promptly pay their sales tax are entitled to retain 2% of the amount of sales taxes owed.

Under the Sales Tax Law, every retailer is required, on or before the last day of the month following each calendar quarter, to file a return showing the seller's gross receipts and the amount of sales tax, including the Capital Improvements Sales Tax, levied for the preceding quarter and remit the sales taxes levied with the return. However, where the aggregate amount of the sales tax levied and imposed upon a seller is in excess of two hundred fifty dollars (\$250) per month, the seller shall file a return and remit the amount of sales taxes levied for the calendar quarter. The seller shall be permitted to file a return and remit the amount of sales taxes levied for the calendar year on or before January 31<sup>st</sup> of the succeeding year. If a seller's aggregate state sales tax was ten thousand dollars (\$10,000) or more in each of at least six months during the prior twelve months, the Department of Revenue may, by regulation, require a seller to timely remit the unpaid state sales tax on a quarter-monthly basis. The remittance shall be timely if mailed within three banking days after the end of the quarter-monthly period or if received within four banking days after the end of the quarter-monthly period. The quarter-monthly periods are: (a) the first seven days of a calendar month, (b) the eighth to fifteen days of a calendar month, (c) the



sixteenth to twenty-second day of a calendar month, and (c) the portion following the twenty-second day of a calendar month.

***Collection and Enforcement of Sales Tax.*** Retail businesses located in the City submit applications to the appropriate local government unit for a merchant's license and an occupancy permit, and before such license and permit are awarded, verification of a tax identification number from the State is made.

Any business or individual engaged in the business of selling tangible personal property within the State without a valid retail sales license, with certain exceptions, may be assessed a penalty in the amount of up to five hundred dollars (\$500) for the first day and one hundred dollars (\$100) for each day thereafter, not to exceed ten thousand dollars (\$10,000), in addition to any other penalties or interest prescribed in the Sales Tax Law. Any person required to collect, truthfully account for and pay over any sales tax, who willfully attempts in any manner to evade or defeat the sales tax or the payment thereof, or who shall willfully and knowingly overcharge or over-collect such sales tax with intent to make claim to any such overcharged or over-collected amounts may, in addition to other penalties, be liable for a penalty equal to the total amount of sales tax evaded, or not collected, or not accounted for and paid over, or overcharged or over-collected. All sales taxes not paid by the person required to remit same on the date when the same becomes due and payable shall bear interest from and after such date until paid at a rate generally equivalent to the adjusted prime rate charged by banks.

In case of failure to file any return required under the Sales Tax Law on or before the date prescribed therefor, there shall generally be added to the amount required to be shown as sales tax on such return five percent (5%) of the amount of such sales tax if the failure is not for more than one month, with an additional five percent (5%) for each additional month or fraction thereof during which such failure continues, not exceeding twenty-five percent (25%) in the aggregate. In case of a failure to pay the full amount of sales tax required under the Sales Tax Law on or before the date prescribed therefor, there generally shall be added to the sales tax an amount equal to five percent (5%) of the deficiency. These penalties and additions to sales tax shall be in addition to the penalties and interest described in the preceding paragraph.

Any amount assessed or any additional amount assessed by the Department of Revenue under the provisions of the Sales Tax Law, together with the penalty, if any, shall be due and payable from the seller sixty days after the service upon or mailing to the seller of notice of such assessment or such additional assessment, unless the person has filed a petition for review, in which case such amount assessed or additional amount assessed, together with penalty, if any, shall be due and payable upon final adjudication of such petition for review.

In any case in which any assessment of sales tax, interest, additions to sales tax or penalty imposed under the Sales Tax Law has been made and has become final, the Department of Revenue may file for record in the recorder's office of any county in which the taxpayer owing such sales tax, interest, additions to sales tax or penalty resides, owns property or has a place of business a certificate of lien specifying the amount of the sales tax, additions to sales tax, interest or penalty due and the name of the person liable for same. The lien shall be continuing and shall attach to real or personal property owned by the taxpayer or acquired in any manner by the taxpayer after filing of the certificate of lien. In addition, the lien may be filed for record in the office of the clerk of the circuit court of any county in which the taxpayer resides, or has a place of business, or owns property. The clerk of the circuit court shall file such certificate and enter it in the record of the circuit court for judgments and decrees under the procedure prescribed for filing transcripts of judgments.

Any sales tax due and unpaid shall constitute a debt and in any case of failure to pay the sales tax, or any portion thereof, or any penalty or interest provided for in the Sales Tax Law when due, the Department of Revenue may recover the amount of such sales tax, penalty and interest by an action at law or other appropriate judicial proceedings. All remedies shall be cumulative, and no action taken shall be construed on the part of the State or any of its officers to pursue any remedy to the exclusion of any other remedy provided for in the Sales Tax Law.

***Distribution of Sales Tax to City.*** Within 30 days of receipt of sales taxes, the Department of Revenue remits to the State Treasurer for deposit in a special trust fund for the benefit of each political subdivision entitled to a sales tax distribution the amount of such sales tax receipts less 1% of such amount which constitutes a fee paid to the State for collecting and distributing the tax. The State Treasurer then distributes moneys on deposit in the special trust fund on behalf of each such political subdivision to such political subdivision on a monthly basis.

***Deposit of Sales Tax by City.*** Upon receipt of a distribution of sales tax revenues from the State Treasurer, the City's Comptroller will determine the amount of such distribution which is allocable to the Capital Improvements Sales Tax and deposit 10% of such amount in the Police Capital Improvements Account.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS

### General

The Series 2007 Bonds, and the interest thereon, are special obligations of the Corporation payable solely out of the Rentals and the Additional Rentals derived by the Corporation from leasing of the Property to the City pursuant to the Lease Purchase Agreement.

THE SERIES 2007 BONDS, AND THE INTEREST THEREON, SHALL NOT BE A DEBT OF THE CITY, THE POLICE BOARD OR THE STATE, AND NEITHER THE CITY, THE POLICE BOARD NOR THE STATE SHALL BE LIABLE THEREON, AND THE SERIES 2007 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION, THE POLICE BOARD OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE PURCHASE AGREEMENT FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION THEREUNDER.

For so long as the Series 2007 Bonds are outstanding, the City is required to pay as Rentals, to the Trustee, as assignee of the Corporation, amounts corresponding to payments of principal of, premium, if any, and interest on the Series 2007 Bonds as they become due, in immediately available funds, not fewer than five (5) business days before any payment is due. The City has covenanted to pay Rentals at such times and in such amounts as necessary to assure that no default in the payment of principal of, premium, if any, and interest on the Series 2007 Bonds occurs at any time. The City's payment of Rentals is subject to annual appropriation by the City. See "**SUMMARY OF THE LEASE PURCHASE AGREEMENT**" set forth in APPENDIX D hereto.

If the balance in the Bond Fund is less than amounts necessary to pay principal of, premium, if any, and interest on the Series 2007 Bonds, the City will pay such deficiency as Rentals. To the extent Rentals are insufficient to provide the Corporation and the Trustee with funds sufficient to pay its obligations under the Lease Purchase Agreement and the Indenture, the City has agreed to pay, as Additional Rentals, upon demand therefor, such further sums of money as may be required from time to time for such purposes. Additional Rentals include, among other things, payments needed to replenish the Debt Service Reserve Fund, if necessary. See "**SUMMARY OF THE LEASE PURCHASE AGREEMENT**" set forth in APPENDIX D hereto.

THE CITY'S PAYMENT OF RENTALS AND ADDITIONAL RENTALS PURSUANT TO THE LEASE PURCHASE AGREEMENT IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY. IF THE CITY FAILS TO BUDGET AND APPROPRIATE FUNDS FOR RENTALS AND ADDITIONAL RENTALS IN ANY FISCAL YEAR, THE LEASE PURCHASE AGREEMENT WILL TERMINATE AT THE END OF THE FISCAL YEAR FOR WHICH FUNDS HAVE BEEN APPROPRIATED AND THE CITY WILL BE REQUIRED TO VACATE THE PROPERTY.

Although subject to annual appropriation, the City's obligation to pay Rentals and Additional Rentals is absolute and unconditional, not subject to notice or demand, without any abatement, offset, deduction, recoupment, diminution, setoff, counterclaim, defense or any right of termination or cancellation arising from any circumstance whatsoever, whether existing or arising, and must be sufficient to fund debt service on the Series 2007 Bonds, replenish the Debt Service Reserve Fund, if required, and to pay all other amounts required under the Lease Purchase Agreement and the Indenture.

The City covenants and agrees in the Lease Purchase Agreement to include in its budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen, in any year during the Lease Term, a request for an amount sufficient to pay the Rentals and the estimated amount of Additional Rentals. Requests for appropriations shall be made in each Fiscal Year, so that the City's Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. The City presently expects to, in each Fiscal Year during the Lease Term, appropriate funds in an amount sufficient to pay principal of, interest on and redemption premium, if any, on the Series 2007 Bonds.

The City has agreed that during each Fiscal Year or portion thereof in which the Series 2007 Bonds remain outstanding, the City will not use the Capital Improvements Sales Tax collections on deposit in the Police Capital Improvements Account of the Sales Tax Fund in the then-current Fiscal Year for any purpose other than appropriation to the Board to be applied toward payments of Rentals and Additional Rentals under the Lease Purchase Agreement during the then-current Fiscal Year, unless such payments of Rentals and Additional Rentals, if any, have been provided for. Any money remaining in the Police Capital Improvements Account after the payment or provision for payment of such rental payments may be used by the City for other capital improvements of the Police Department.

The City intends, subject to the provisions above with respect to the failure of the City to budget or appropriate funds to pay Rentals and a reasonable estimate of Additional Rentals, to continue the Lease Term and to pay the Rentals and Additional Rentals. The City reasonably believes that legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Term can be obtained. Notwithstanding the foregoing, the decision to budget and appropriate funds or to continue the Lease Term will be made in accordance with the City's normal procedures for such decisions. See **"SUMMARY OF THE LEASE PURCHASE AGREEMENT"** set forth in APPENDIX D hereto.

### **Police Board Obligations**

In consideration of the City subletting the Facilities to the Police Board and to provide payment for a portion of the Rentals and Additional Rentals due from the City that are related to the Improvements, the Police Board has agreed, in each year during the Lease Term, to pay Board Rentals to the City equal in amount to the portion of the Capital Improvements Sales Tax collections on deposit in the Police Capital Improvements Account of the Sales Tax Fund that is appropriated by the City to the Police Board each year for such purpose. Pursuant to the Lease Purchase Agreement, the City has assigned its rights to the Board Rentals and the payments by the Police Board of the Board Rentals directly to the Corporation.

All expenditures from the Police Capital Improvements Account are made pursuant to an annual appropriation by the City's Board of Aldermen. Upon each annual appropriation of the Capital Improvements Sales Tax collections by the City and the renewal of the Lease Purchase Agreement, the Police Board will be deemed to have assigned to the City the amounts appropriated by the City to the Police Board for the payment of the Board Rentals for application under the Lease Purchase Agreement to the payment of the Series 2007 Bonds.

The Police Board's obligation to pay Board Rentals is limited in amount solely to the amount of the Capital Improvements Sales Tax revenues appropriated by the City to the Police Board each Fiscal Year for such purpose. The Board will have no obligation to fund any shortfall between the amount appropriated by the City to the Police Board to pay the Board Rentals and the amount needed for the payment of principal of, premium, if any, and interest on the Series 2007 Bonds. See **"SUMMARY OF THE LEASE PURCHASE AGREEMENT"** set forth in APPENDIX D hereto.

## **Funds Created**

The Indenture provides for the creation of the following special trust funds and accounts to be designated as follows:

- (1) the Bond Fund;
- (2) the Debt Service Reserve Fund;
- (3) the Project Fund, including a Communication Property Account and an Improvements Account within such Project Fund;
- (4) the Rebate Fund; and
- (5) the Costs of Issuance Fund.

The moneys in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Indenture and the Lease Purchase Agreement.

## **Debt Service Reserve Fund**

As additional security for the Series 2007 Bonds and any Additional Bonds (collectively, the "Bonds"), the Indenture establishes the Debt Service Reserve Fund. The Trustee will deposit cash or a surety bond policy in an amount sufficient to satisfy the Debt Service Reserve Fund Requirement into the Debt Service Reserve Fund. As used herein, the "Debt Service Reserve Fund Requirement" means the least of (a) the maximum annual debt service on Bonds Outstanding, (b) 10% of the original proceeds of each Series of Bonds or (c) 125% of the average annual debt service requirements on the Bonds. The Debt Service Reserve Fund Requirement may be satisfied by deposits in cash or in partial substitution or in lieu of cash by an insurance policy, letter of credit, line of credit or surety bond or similar liquidity or credit facility guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement, which facility shall be issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility. In connection with the issuance of the Series 2007 Bonds, the Debt Service Reserve Requirement is expected to be satisfied from the proceeds of the Debt Service Reserve Policy. See "Debt Service Reserve Policy" below.

Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Reserve Fund will be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Bond Fund are insufficient to pay the principal of and interest on all Outstanding Bonds under the Indenture, including the Series 2007 Bonds, when due. Moneys on deposit in the Debt Service Reserve Fund also may be used to pay Series 2007 Bonds called for redemption or to purchase Series 2007 Bonds in the open market, prior to their Stated Maturity, provided all Outstanding Bonds under the Indenture, including the Series 2007 Bonds, are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund will be used to pay and retire the Series 2007 Bonds last becoming due unless such Series 2007 Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund aggregates an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to the Debt Service Reserve Fund are required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall, in accordance with the Lease Purchase Agreement, make up such deficiency by making monthly payments of Additional

Rentals, commencing on the first day of the calendar month following the date of such withdrawal and continuing on the first day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

On a quarterly basis, the Trustee is required to value the Permitted Investments on deposit in the Debt Service Reserve Fund at the market value thereof, exclusive of accrued interest. In the event that the amount on deposit in the Debt Service Reserve Fund aggregates an amount less than the Debt Service Reserve Fund Requirement by reason of the investment valuation, the City is required to make up such deficiency as Additional Rentals equal to such deficiency no later than the next valuation date and investment earnings on funds in the Debt Service Reserve Fund shall remain therein and be applied to reduce such deficiency.

### **Bond Insurance Policy**

*The following information has been furnished by Financial Security for use in this Official Statement. Reference is made to APPENDIX G to this Official Statement for a specimen of the Bond Insurance Policy.*

#### Bond Insurance Policy

Concurrently with the issuance of the Series 2007 Bonds, Financial Security will issue the Bond Insurance Policy for the Series 2007 Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2007 Bonds when due as set forth in the form of the Bond Insurance Policy included as APPENDIX G to this Official Statement.

The Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,691,965,000 and its total net unearned premium reserve was approximately \$2,201,808,000 in accordance with statutory accounting principles. At September 30, 2007, Financial Security's consolidated shareholder's equity was approximately \$2,975,654,000 and its total net unearned premium reserve was approximately \$1,721,678,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2006 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and

before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Bond Insurance Policy does not protect investors against changes in market value of the Series 2007 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds. Financial Security makes no representation regarding this Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Corporation for inclusion in the Official Statement the information presented under this caption.

### **Debt Service Reserve Policy**

The Indenture requires the establishment of a Debt Service Reserve Fund in an amount equal to \$1,711,000. The Indenture authorizes the Corporation to obtain a Debt Service Reserve Policy in place of fully funding the Debt Service Reserve Fund. Accordingly, concurrently with the issuance of the Series 2007 Bonds, Financial Security will issue the Debt Service Reserve Policy for the purpose of funding the Debt Service Reserve Fund for the Series 2007 Bonds. The premium on the Debt Service Reserve Policy is to be fully paid at or prior to the issuance and delivery of the Series 2007 Bonds. See APPENDIX H – "Form of Municipal Bond Debt Service Reserve Insurance Policy."

### **Additional Bonds**

So long as no Event of Default, or any other event which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Purchase Agreement, has occurred and is continuing (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event), Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Series 2007 Bonds and any other Outstanding Bonds, at any time and from time to time, upon compliance with the conditions provided in the Indenture for the purpose of:

(a) paying the cost of completing the Project, such costs to be evidenced by a certificate signed by a City Representative, a Corporation Representative and a Police Board Representative, with the prior written consent of the Credit Facility Provider, if any; or

(b) providing funds for refunding all or any part of the Bonds of any Series then outstanding, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

## SOURCES AND USES OF FUNDS

The table below summarizes the sources and uses of funds in connection with the issuance of the Series 2007 Bonds:

### Sources of Funds

Par Amount of Series 2007 Bonds	\$25,000,000.00
Net Original Issue Discount	<u>(254,132.10)</u>
TOTAL SOURCES OF FUNDS	<u>\$24,745,867.90</u>

### Uses of Funds

Deposit to Project Fund	
Deposit to the Facilities Account	\$ 9,637,968.16
Deposit to the Communications Property Account	14,165,100.00
Deposit to Costs of Issuance Fund <sup>1</sup>	<u>942,799.74</u>
TOTAL USES OF FUNDS	<u>\$24,745,867.90</u>

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<sup>1</sup> Includes underwriting discount, the Bond Insurance Policy and the Debt Service Reserve Policy premiums and other costs of issuance associated with the Series 2007 Bonds.



## DEBT SERVICE REQUIREMENTS

The following table shows annual debt service of the Corporation for the Series 2007 Bonds for the Fiscal Years set forth below:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2008	\$1,120,000	\$ 188,756.20	\$1,308,756.20
2009	255,000	1,051,203.76	1,306,203.76
2010	265,000	1,041,003.76	1,306,003.76
2011	280,000	1,030,403.76	1,310,403.76
2012	290,000	1,019,203.76	1,309,203.76
2013	300,000	1,007,603.76	1,307,603.76
2014	315,000	995,603.76	1,310,603.76
2015	325,000	983,003.76	1,308,003.76
2016	340,000	970,003.76	1,310,003.76
2017	350,000	957,678.76	1,307,678.76
2018	365,000	944,553.76	1,309,553.76
2019	380,000	929,953.76	1,309,953.76
2020	395,000	914,753.76	1,309,753.76
2021	810,000	898,953.76	1,708,953.76
2022	840,000	865,743.76	1,705,743.76
2023	885,000	823,743.76	1,708,743.76
2024	930,000	779,493.76	1,709,493.76
2025	970,000	739,968.76	1,709,968.76
2026	1,010,000	698,743.76	1,708,743.76
2027	1,055,000	654,556.26	1,709,556.26
2028	1,100,000	608,400.00	1,708,400.00
2029	1,150,000	560,275.00	1,710,275.00
2030	1,200,000	508,275.00	1,708,275.00
2031	1,255,000	454,000.00	1,709,000.00
2032	1,310,000	397,250.00	1,707,250.00
2033	1,370,000	338,025.00	1,708,025.00
2034	1,435,000	276,075.00	1,711,075.00
2035	1,500,000	211,500.00	1,711,500.00
2036	1,565,000	144,000.00	1,709,000.00
2037	1,635,000	73,575.00	1,708,575.00
	<u>\$25,000,000</u>	<u>\$21,066,305.14</u>	<u>\$46,066,305.14</u>

## **BONDHOLDERS' RISKS**

*The Series 2007 Bonds involve certain risks, and the discussion below should be reviewed in evaluating these risks. The Series 2007 Bonds may not be suitable investments for all persons, and prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2007 Bonds and should confer with their own legal and financial advisors. The following discussion of risk factors is not intended to be exhaustive.*

### **General**

The Series 2007 Bonds are special, limited obligations of the Corporation, payable solely out of the Rentals and Additional Rentals derived by the Corporation from the City pursuant to the Lease Purchase Agreement. The Corporation has no taxing power, the Series 2007 Bonds and the interest thereon are not a debt of the City or the State and neither the City nor the State is liable thereon, and the Series 2007 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

### **Event of Non-Appropriation**

No representation or assurance can be given that the City will appropriate revenues in amounts sufficient to make payments of Rentals and Additional Rentals under the Lease Purchase Agreement. The appropriation by the City of future revenues to be paid under the Lease Purchase Agreement is dependent upon, among other things, government regulations, the actions of the management of the City and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. Failure by the City to appropriate funds in any Fiscal Year to make payments of Rentals and Additional Rentals due in the next Fiscal Year constitutes an Event of Non-Appropriation under the Lease Purchase Agreement pursuant to which the Trustee may terminate the Lease Purchase Agreement.

### **No Restrictions on Use of Project After Default Under Lease Purchase Agreement**

If an Event of Default occurs for any reason with respect to the City under the Lease Purchase Agreement or if the City terminates the Lease Purchase Agreement and fails to purchase the Corporation's interest in the Project, the Corporation has the right to possession of the Project for the remainder of the Lease Term and may sublease the Project upon whatever terms and conditions it deems advisable. If the Corporation assigns its interest in the Project under these circumstances, no assurances can be given that interest on the Series 2007 Bonds would continue to be exempt from federal or State income taxation. See "**TAX MATTERS – Future Events**" herein.

### **Certain Matters Relating to Enforceability**

The remedies available upon a default under the Indenture and the Lease Purchase Agreement will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and State laws concerning the use of assets of certain organizations, the remedies specified in the Indenture and the Lease Purchase Agreement may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2007 Bonds will be expressly subject to the qualification that the enforceability of the Indenture and the Lease Purchase Agreement and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

## **ST. LOUIS MUNICIPAL FINANCE CORPORATION**

### **Organization, Powers and Purposes**

The Corporation, a nonprofit corporation duly organized in 1991 and existing under the laws of the State, was created to lessen the burden of the government of the City by financing or acquiring, leasing or subleasing real property and any improvements and personal property thereon, to the City. In furtherance of its purposes, the Corporation may borrow money, invest, disburse funds and issue bonds. Neither the Board of Directors of the Corporation (the "Board of Directors") nor any person executing the Series 2007 Bonds is personally liable for the Series 2007 Bonds by reason of the issuance thereof. The Series 2007 Bonds are being issued by the Corporation and will not constitute a debt, liability or obligation of the City or the State. By proper corporate actions of its officers, the Corporation has been duly authorized to execute and deliver the Lease Purchase Agreement, the Base Lease and the Indenture.

### **Board of Directors and Officers**

The property and day-to-day affairs of the Corporation are governed and managed by its Board of Directors. The Board of Directors is comprised of the following five persons, each of whom serves on the Board of Directors by virtue of their respective positions within the City government and for so long as they hold their respective positions:

- (1) The Mayor of the City or designee.
- (2) The Comptroller of the City or designee.
- (3) The President of the Board of Aldermen or designee.
- (4) The City Counselor of the City or designee.
- (5) The Budget Director of the City or designee.

The officers of the Corporation include a President, two Vice Presidents, a Treasurer and a Secretary, each of whom is chosen by vote of a majority of the directors in office. The officers hold their respective offices for a term of three years. In addition, the Board of Directors may appoint such other officers and agents, as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

## **BOARD OF POLICE COMMISSIONERS**

### **Organization and Purpose**

The Police Board was established as an agency of the State of Missouri by Chapter 84 of the Revised Statutes of Missouri, as amended, to provide the police force for the City. The Police Board employs the police force, administers the Police Department and provides offices, police stations and equipment for the Police Department.

### **Members and Management**

The Police Board consists of four commissioners, together with the Mayor of the City. The commissioners are appointed to staggered terms, thus providing continuity from one board to the next. The commissioners are required to be citizens of the State of Missouri and residents of the City. Chapter 84 requires that the Police Board appoint a President, a Vice President and a Treasurer from its members.

The executive staff of the Police Board is composed of the Chief of Police, who holds the rank of Colonel; Assistant Chief, who holds the rank of Lieutenant Colonel; four deputy chiefs, each of whom hold the rank of Lieutenant Colonel and serves as deputy chief for one of the Police Department's five bureaus; and a Secretary, who holds the rank of Major and is an executive assistant to the Police Board. All of the officers who currently serve in such positions were initially commissioned as police officers and rose through the ranks of the Police Department to their current positions. The five bureaus of the Police Department are the Bureau of Community Policing, the Bureau of Patrol Support, the Bureau of Criminal Investigation, the Bureau of Auxiliary Services and the Bureau of Professional Standards.

### **Budget Process and Financial Matters**

Although the Police Board is not subject to direct City management and control, the Police Board derives almost all of its revenue from the City and has no other significant source of funding and no power to levy taxes for any purpose. The Police Board does receive from time to time special grants and proceeds from asset forfeitures that amount in total to approximately 5% of their budget. The Police Board is required by law to prepare by February 28 of each year a written estimate of the amount which will be necessary for the upcoming Fiscal Year to enable the Police Board to discharge its duties and meet the expenses of the Police Department and to certify that amount to the Board of Aldermen of the City.

The Board of Aldermen is required by state statute to make the necessary appropriation for the amount certified, payable out of the revenue of the City after deducting the amount necessary to make the City's indebtedness payments, which does not include Rentals and Additional Rentals on the Series 2007 Bonds, and to pay City hospital, health department and lighting expenses, but the Board of Aldermen is not required under the statute to appropriate for the Police Department for any Fiscal Year a sum in excess of \$66,634,713, which was the amount of the budget certified as of the effective date of the amendment to the Constitution of Missouri commonly known as the "Hancock Amendment," which became effective on December 4, 1980. For more information concerning the Hancock Amendment, see **APPENDIX A – "Information Regarding The City of St. Louis, Missouri -- The Hancock Amendment"** hereto.

Although the Board of Aldermen is not required to do so, it may appropriate sums for the Police Department in excess of \$66,634,713 per Fiscal Year, and the Board of Aldermen has done so for each of the past five Fiscal Years. The Board of Aldermen, however, did not approve the entire amount of the initial budget submitted for each of those Fiscal Years. The budget for the Fiscal Year ending June 30, 2008 is \$140,716,425. See **APPENDIX – "Information Regarding The City of St. Luis, Missouri –**

**Budget Process"** hereto. The amount budgeted by the Board of Aldermen for the Police Board is included in the budget for the City's General Revenue Fund. For a discussion of the City's budget, see **APPENDIX A – "Information Regarding The City of St. Louis, Missouri – Financial Management and Expenditure Controls – General Fund Expenditures"** hereto. The budget of the Police Board is prepared under the cash basis of accounting and any unexpended and unencumbered appropriations lapse and return to the City at the end of each Fiscal Year.

The Police Board currently derives additional revenues from contracts and grants from various federal, state and local governmental agencies such as the Department of Justice, Federal Drug Enforcement Administration, Missouri Department of Public Safety, St. Louis Housing Authority and Bi-State Development Agency. In recent years, these sources have accounted for one to five percent of the total revenues of the Police Board.

The Police Board has no outstanding bonds, leases or other obligations from which bonds are payable. The Police Board has entered into certain lease purchase agreements for the acquisition of various items of equipment, such as copiers and computer and communications equipment. These lease purchase agreements are subject to annual appropriation of the payments due thereunder. The Police Board made no expenditures for operating leases for the year ended June 30, 2007.

### **Insurance and Litigation**

During the past three years, the Police Board, through the City, has utilized a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. All liability claims not covered by insurance are handled by the City Counselor's Office or the Office of the Missouri Attorney General.

## **FINANCIAL STATEMENTS**

The audited financial statements of the City and the related report of the City's independent certified public accountants, KPMG LLP, for the Fiscal Year ended June 30, 2006, are included in APPENDIX B hereto. Since the date of the report included herein, KPMG LLP has not been engaged to perform and has not performed, any procedures with respect to the Fiscal Year 2006 financial statements included in that report and has not audited any financial statements of the City for any period subsequent to June 30, 2006. KPMG LLP also has not performed any procedures relating to this Official Statement. The Corporation does not have its own audited financial statements but its finances are reflected in the audited financial statements of the City.

## **THE TRUSTEE**

UMB Bank, N.A., St. Louis, Missouri, is the Trustee for the Series 2007 Bonds.

## **RATING**

Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. ("S&P"), is expected to assign the rating of AAA to the Series 2007 Bonds, with the understanding that, upon delivery of the Series 2007 Bonds, the Bond Insurance Policy will be issued by Financial Security. S&P has assigned an underlying rating of "A-" to the Series 2007 Bonds.

Such ratings reflect only the view of such organization and any desired explanation of the significance of the ratings should be obtained from the rating agency, at the following address: 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and

materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that each rating will continue for any given period of time or that each ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2007 Bonds.

## **LITIGATION**

There is not now pending or, to the knowledge of the Corporation or the City, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance, execution and delivery of the Series 2007 Bonds, the preparation, execution and delivery of this Official Statement or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Corporation, threatened, in any manner challenging or threatening the powers of the Corporation, restraining or enjoining the issuance or delivery of the Series 2007 Bonds or questioning or affecting the validity of the Series 2007 Bonds or the proceedings and authority under which they are to be issued.

Except as disclosed in this Official Statement, there is no litigation, proceedings or investigations pending or, to the knowledge of the City, threatened against the City or its officers or property, except litigation, proceedings or investigations being defended by or on behalf of the City in which the probable ultimate recoveries and the ultimate costs and expenses of defense, in the opinion of the City Counselor, will not have a material adverse effect on the operations or condition, financial or otherwise, of the City. No litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened against the City which would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by, the execution, delivery, validity or performance by the City of the Base Lease and the Lease Purchase Agreement. See APPENDIX A – **"INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI – LITIGATION,"** for a more detailed discussion.

## **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters incident to the authorization, issuance and sale of the Series 2007 Bonds and with regard to the tax-exempt status of the Series 2007 Bonds are subject to the approving legal opinions of King Hershey, PC and White Coleman & Associates, LLC, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2007 Bonds. The form of the opinion of Co-Bond Counsel is attached as APPENDIX F hereto. Certain legal matters will be passed upon for the Corporation, for the Police Board and for the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP and Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC, and for Financial Security by its Assistant General Counsel.

Co-Bond Counsel have not assisted in the preparation of this Official Statement except those portions of this Official Statement under the captions **"THE SERIES 2007 BONDS"** (except the information under the caption "Book-Entry System"), **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2007 BONDS"**, **"APPROVAL OF LEGAL PROCEEDINGS"**, **"TAX MATTERS,"** and APPENDIXES C, D and F to this Official Statement and, therefore, express no opinion as to the sufficiency or accuracy of any other material or information, including financial and statistical information, included herein.

## **TAX MATTERS**

### **Opinions of Co-Bond Counsel**

The opinions of Co-Bond Counsel, to be delivered upon the issuance of the Series 2007 Bonds, will state that, under existing law, and assuming continuing compliance by the Corporation and the City with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2007 Bonds is excludable from the gross income of the owners of the Series 2007 Bonds for federal income tax purposes and is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, as amended. No opinion is expressed regarding the applicability with respect to the Series 2007 Bonds or the interest on the Series 2007 Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

In addition, the opinions of Co-Bond Counsel will state that under existing law the Series 2007 Bonds are not "specified private activity bonds" within the meaning of the alternative minimum tax provisions of the Internal Revenue Code of 1986, as amended (the "Code") and, accordingly, interest on the Series 2007 Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on corporations and other taxpayers, including individuals and the federal environmental tax on corporations. However, interest on the Series 2007 Bonds will be included in a corporate taxpayer's adjusted current earnings for purposes of determining its federal alternative minimum tax and environmental tax liabilities. Furthermore, the Series 2007 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code (relating to financial institution deductibility of interest expense).

Co-Bond Counsels' opinions will assume continuing compliance with the covenants of the Indenture, the Lease Purchase Agreement and the Tax Compliance Agreement relating to the Series 2007 Bonds to comply with the requirements of the Code as to the excludability of interest on the Series 2007 Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the Corporation and others, with respect to matters solely within the knowledge of the City, the Corporation and others, of which Co-Bond Counsel has no independent knowledge and has not independently verified. Failure to comply with the covenants or the requirements of the Code, or the foregoing representations being determined to be inaccurate or incomplete, may cause the inclusion of interest on the Series 2007 Bonds in gross income of the owners of the Series 2007 Bonds for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2007 Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences with respect to the Series 2007 Bonds.

*Original Issue Discount Bonds.* Co-Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2007 Bonds maturing in 2016, 2017, 2019, 2020, 2021, 2025, 2028, 2033 and 2037 (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2007 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various

other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

*Original Issue Premium Bonds.* The Series 2007 Bonds other than the Discount Bonds (the "Premium Bonds") were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a Bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the Premium Bonds. A holder of a Premium Bond will therefore be required to decrease such Bondholder's basis in that Premium Bond by the amount of amortizable bond premium attributable to each taxable year such Bondholder holds such Premium Bond. The amount of amortizable bond premium attributable to each taxable year is determinable on an accrual basis at a constant interest rate compounded on each interest payment date. The bond premium is not deductible for federal income tax purposes. Owners of the Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Premium Bond.

Prospective purchasers of the Series 2007 Bonds should be aware that the ownership of tax-exempt obligations (such as the Series 2007 Bonds) may result in other federal (and, in some cases, state and local) tax consequences to certain owners, including, without limitation, financial institutions, insurance companies, certain foreign corporations doing business in the United States, S corporations with excess net passive income, individual recipients of Social Security or Railroad Retirement benefits, individuals who may be eligible for the earned income credit, taxpayers who have incurred or continued indebtedness to purchase or carry such obligations, owners who dispose of any Series 2007 Bond prior to its stated maturity (whether by sale or otherwise), and owners who purchase any Series 2007 Bond at a price different from its initial public offering price. Co-Bond Counsel expresses no opinion regarding these tax consequences. Prospective purchasers of the Series 2007 Bonds should consult their own tax advisors as to the applicability and the impact of any such other tax consequences and the status of interest on the Series 2007 Bonds under state or local laws other than those of the State of Missouri.

Prospective purchasers of the Series 2007 Bonds should also be aware that proposed legislation is from time to time considered by the United States Congress that, if enacted, may adversely affect the federal tax consequences of ownership or disposition of, and, whether or not enacted, may adversely affect the value of, tax-exempt obligations, such as the Series 2007 Bonds.

Co-Bond Counsels' opinions are based on existing law, which is subject to change. Such opinion is further based on Co-Bond Counsels' knowledge of facts as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Co-Bond Counsels' attention or to reflect any changes in any law that may thereafter occur or become effective.

## **FINANCIAL ADVISOR**

P.G. Corbin & Company, Inc., Philadelphia, Pennsylvania (the "Financial Advisor"), has been retained to render certain professional services to the City. The Financial Advisor has provided advice on the plan of financing and structure of the Series 2007 Bonds and has assisted in the preparation of this Official Statement. The information set forth herein has been obtained from the Corporation, the City, the Police Board and other sources which are believed to be reliable. The Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the



information supplied by the Corporation, the City, the Police Board and other sources who have certified that such information contains no material misstatement of information.

### **INVESTMENT ADVISOR**

Columbia Capital Management LLC, Missouri, Kansas ("Columbia Capital") serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Series 2007 Bonds and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

### **UNDERWRITING**

Wachovia Securities and the other underwriters listed on the cover of this Official Statement (collectively, the "Underwriters"), have agreed to purchase the Series 2007 Bonds from the Corporation at the respective offering prices or yields set forth on the inside cover page of this Official Statement, at an aggregate purchase price equal to \$24,479,636.65 (which represents the par amount of the Series 2007 Bonds of \$25,000,000, less net original issue discount of \$254,132.10, less underwriter's discount of \$266,231.25), pursuant to a Bond Purchase Agreement, entered into by and among the Corporation, the City and the Underwriters on December 4, 2007 (the "Bond Purchase Agreement"). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2007 Bonds if any are purchased.

The Series 2007 Bonds are being purchased by the Underwriters from the Corporation for resale in the normal course of the Underwriters' business activities. The Underwriters reserve the right to offer any of the Series 2007 Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriters determine.

### **CERTAIN RELATIONSHIPS**

King Hershey, PC, Kansas City, Missouri, and White Coleman & Associates, LLC, St. Louis, Missouri, are serving as Co-Bond Counsel with respect to the issuance of the Series 2007 Bonds, and also represent the City from time to time on other transactions or matters. Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC, St. Louis, Missouri, is serving as co-counsel to the Underwriters in connection with the issuance of the Series 2007 Bonds, and also represents the City from time to time on other transactions or matters. Siebert, Brandford & Shank, LLC is one of the Underwriters and also serves as a financial advisor to the City from time to time on other transactions.

Wachovia Securities is the trade name under which Wachovia Corporation conducts its investment banking, capital markets and institutional securities business through Wachovia Capital Markets, LLC, member NYSE, FINRA, SIPC and through other bank, non-bank and broker-dealer subsidiaries of Wachovia Corporation, including Wachovia Bank, National Association.

## CONTINUING DISCLOSURE

*All references herein to the Continuing Disclosure Agreement are qualified in their entirety by reference to such document. The definitive form of the Continuing Disclosure Agreement may be reviewed prior to the delivery of the Series 2007 Bonds at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2007 Bonds at the office of the Trustee, UMB Bank, N.A., St. Louis, Missouri, 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.*

Pursuant to the Continuing Disclosure Agreement dated as of December 1, 2007, by and between the City and UMB Bank, N.A., as the dissemination agent (the "Continuing Disclosure Agreement"), the City has covenanted for the benefit of Bondholders and Beneficial Owners of the Series 2007 Bonds to provide (i) certain financial information and operating data relating to the City and the Corporation by not later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 of each year) (the "Annual Report"), commencing with the report for the Fiscal Year 2007, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be provided by or on behalf of the City to any person who requests it and to each Nationally Recognized Municipal Securities Information Repository (each a "National Repository"), the repository for the State of Missouri (the "State Repository"), if any, and the Credit Facility Provider, if any. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board (or to each National Repository) and the State Repository, if any.

Any default in compliance with such covenants shall not be deemed an Event of Default under the Indenture, and the sole remedy in the event of any failure of the City or UMB Bank, N.A., acting in its capacity as dissemination agent or any successor dissemination agent designated in writing by the City (the "Dissemination Agent") to comply with such covenants shall be an action to compel performance. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) (the "Rule") of the SEC.

The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

The Annual Report will contain or include by reference:

- (1) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements and the audited financial statements will be filed in the same manner as the Annual Report when they become available.
- (2) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in APPENDIX A to the final Official Statement in tables under the sections captioned:
  - (a) "ECONOMIC AND DEMOGRAPHIC DATA: "Population and Other Statistics," "Employment," "Major Employers," "Economic Development," "Major Taxpayers" and "Budget and Construction Data;"

(b) "FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS:" "General Revenue Funds," "General Revenue Fund Receipts by Category," "Earnings Tax," "Franchise Tax," "Sales Tax," "Gross Receipts Tax," "Motor Vehicle Sales Tax," "Motor Fuel Tax," "Real and Personal Property Taxes," "Payroll Tax," "Other Taxes," "License Fees," "Departmental Receipts," and "Operating Transfers;"

(c) "RETIREMENT SYSTEMS;"

(d) "INSURANCE;" and

(e) "LITIGATION."

In addition, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2007 Bonds, if material (each a "Material Event"):

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications of the rights of holders of the Series 2007 Bonds;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. ratings changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform; or
11. release, substitution or sale of property securing repayment of the Series 2007 Bonds.

If the Dissemination Agent has been instructed by written notice from the City to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board and the State Repository, if any, with a copy to the City, the Trustee, the Police Board, the Credit Facility Provider and the Underwriter. Notwithstanding the foregoing, notice of Material Event described in the Continuing Disclosure Agreement need not be given any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of the affected Series 2007 Bonds pursuant to the Indenture.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days' written notice to the City. The Dissemination Agent also shall have no duty or obligation to determine the materiality of a Material Event and shall not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is not any

other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent for the Series 2007 Bonds shall be UMB Bank, N.A.

Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Dissemination Agent may amend the Continuing Disclosure Agreement (and the approval of such Amendment by the Dissemination Agent so requested by the City shall not be unreasonably withheld) and any provision of the Continuing Disclosure Agreement may be waived, provided the following conditions are satisfied:

(1) If the amendment or waiver relates to the provisions of the Continuing Disclosure Agreement relating to provision or content of Annual Reports or the reporting of Material Events, the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Series 2007 Bonds, or the type of business conducted;

(2) The undertaking, as amended or taking into account such waiver, should, in the opinion of Co-Bond Counsel, or other counsel of nationally recognized expertise in matters relating to securities law affecting municipal securities, have complied with the requirements of the Rule at the time of the original issuance of the Series 2007 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver either (i) is approved by the Bondholders of the Series 2007 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) in the opinion of Co-Bond Counsel, or other counsel of nationally recognized expertise in matters relating to securities law affecting municipal securities, does not materially impair the interests of the Bondholders or Beneficial Owners of the Series 2007 Bonds.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Dissemination Agent or the Trustee may (and, at the request of any Underwriter, the Credit Facility Provider or the Beneficial Owners of at least 25% aggregate principal amount of Outstanding Series 2007 Bonds, shall), or any Bondholder or Beneficial Owner of the Series 2007 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Lease Purchase Agreement or the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

### **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between or among the Corporation, the City and the purchasers or holders of any of the Series 2007 Bonds.

Any statements made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, the Corporation or Financial Security since the date hereof.

This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2007 Bonds, have been approved and authorized by the Corporation and the City.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

By: /s/ Ivy Neyland-Pinkston  
Ivy Neyland-Pinkston, President

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Francis G. Slay  
Francis G. Slay, Mayor

By: /s/ Darlene Green  
Darlene Green, Comptroller

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## **APPENDIX A**

### **INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**

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**APPENDIX A**  
**INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**

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## **APPENDIX A**

### **INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**

The information contained in this Appendix relates to and has been obtained from The City of St. Louis, Missouri (the "City"). The delivery of this Official Statement is not intended to create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

### **ORGANIZATION AND GOVERNMENT**

#### **General**

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and the laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial located on the downtown riverfront.

#### **Government**

The City's system of government is provided for in its Charter, which first became effective in 1914, and has subsequently been amended from time to time by the City's voters.

The Mayor, elected at large for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City's boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer, and is elected at large for a four-year term. The Comptroller is, by Charter, the Chairman of the Department of Finance for the City and also has broad investigative and audit powers over City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elects Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen.

The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President

of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see "FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS - Budget Process" herein.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointments of certain officials, whose decisions also may affect the City as a whole, including the members of the Board of Police Commissioners (the "Police Board") and the Board of Election Commissioners, are made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney, Recorder of Deeds, and Public Administrator of the City are elected independently for four-year terms.

## **MUNICIPAL SERVICES**

### **General**

The City provides a wide range of municipal and county services, including police and fire protection, non-commercial refuse collection, park and recreational facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

### **Water and Sewer/Transportation**

The City operates a water utility and Lambert-St. Louis International Airport (the "Airport"), both of which are self-supporting enterprises. All of the airport facilities and portions of the water utility facilities are located in St. Louis County on property owned by the City. Sewage and drainage facilities in the City and in adjacent St. Louis County are operated by The Metropolitan St. Louis Sewer District, a separate taxing authority established under Section 30 of Article VI of the Constitution of Missouri and financed by ad valorem taxes and user fees. Public transportation facilities for the City and much of the surrounding metropolitan area are operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "Bi-State Development Agency"), which operates as "Metro". For additional information on the Bi-State Development Agency, see "Local Governmental Commissions and Agencies" herein.

### **Fire Protection**

The Fire Department of the City of St. Louis provides fire protection throughout the corporate limits of the City as well as to the Airport. Services to the City are provided from 30 fire stations currently staffed by approximately 631 full-time firefighters. The Airport staffs 79 full-time firefighters.

### **Education**

The public school systems within the City are operated under the administration and control of The School District of the City of St. Louis and The Junior College District of St. Louis and St. Louis County. These districts are independent of the City and have their own elected or appointed officials, budgets and administrators. These districts are empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of the respective public school system within their jurisdictions.

Under state law, the State Board of Education has the authority to accredit public school districts and the authority to intervene in the governance of the St. Louis Public Schools through the creation of a "transitional school district." State law also authorizes the creation of a three-person governing board to

replace the local board of education, with the Missouri governor, the Mayor of St. Louis, and the president of the City's Board of Aldermen each selecting one person to sit on the governing board. Upon the recommendation of the Department of Elementary and Secondary Education, the Missouri State Board of Education voted to remove the accreditation of the St. Louis Public Schools effective June 15, 2007. As a result, The Special Administrative Board of the Transitional School District of the City of St. Louis was created. The St. Louis Board of Education has appealed the State Board of Education decision to the Cole County Circuit Court. The Special Board will continue to operate the St. Louis Public Schools while the appeal is pending.

## **Medical**

Historically, the City has provided health care services for indigent citizens of the City at public clinics and hospitals. More recently, however, the City has entered into contracts with private third parties to provide such services. Saint Louis ConnectCare, Inc. ("ConnectCare") was formed as a nonprofit corporation in 1997 to provide health care services for indigent citizens of the City. A portion of local use tax revenues are earmarked for providing health care services. Pursuant to annual agreements between the City and ConnectCare adopted each fiscal year, which begins on July 1 (the "Fiscal Year"), the City has contributed \$5 million annually for health services. In Fiscal Year 2008, the City expects to make \$5 million in payments to ConnectCare.

## **Local Governmental Commissions and Agencies**

There are a number of significant governmental authorities and commissions that provide services within the City.

### **Police**

The Police Department of the City of St. Louis is directed by the Police Board, consisting of the Mayor of the City, ex-officio, and four members appointed by the Governor, with the advice and consent of the State Senate. The Police Board's duties and powers, among others, include the power to administer oaths, summon witnesses and establish a police force. The holidays, vacations, pensions and other employment benefits of the police force are set by State statute. The Police Board provides level of employment and salaries of the police force with approval of the City and provides itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Police Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The State statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, in *State ex. rel Sayad v. Zych*, 642 S.W.2d 907 (Mo. banc 1982), the Supreme Court of Missouri held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Police Board is not permitted to transfer appropriated funds from one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

### **Transit**

The Bi-State Development Agency is a body corporate and politic established by a compact between the states of Missouri and Illinois and approved by an Act of Congress. Since February 1, 2003, the Bi-State Development Agency has been doing business under the name of "Metro". Metro has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, the St. Louis County and certain Illinois counties within the St. Louis

Metropolitan Area. Currently, there is a special 1/2 cent sales tax authorized by the State and assessed by the City and St. Louis County that is primarily used to pay a portion of the costs of the bus transportation system of Metro. In August 1994, an additional 1/4 cent sales tax was approved by the voters for the expansion of the MetroLink system, a transportation system within the City, St. Louis County, East St. Louis and Belleville, Illinois. Metro operates the MetroLink system between Belleville, Illinois and the Airport and between the Forest Park station and Shrewsbury, Missouri.

The MetroLink system commenced operations in late 1993 and was extended to the Airport in 1994. The first phase of the MetroLink extension to St. Clair County, Illinois, extending the system to Southwestern Illinois College (formerly known as Belleville Area College), was completed in 2001, and the second phase, extending the system to Shiloh, Illinois and the Scott Air Force Base, was completed in 2003. This extension to St. Clair County was funded by State of Illinois grants and local funding from St. Clair County through a special 1/2 cent sales tax authorized by the State of Illinois. The City conveyed title to the McArthur Bridge, which crosses the Mississippi River, to the Bi-State Development Agency to be used in the MetroLink system in exchange for the older Eads Bridge, formerly used by a railroad. Other capital costs were federally financed. The deck of Eads Bridge was refurbished and reopened in July 2003. The Cross County MetroLink extension was completed in August 2006. This project was locally funded through the current and the future revenues of the 1/4 cent sales tax. The MetroLink system is now approximately 46 miles long with 37 passenger stations.

If the MetroLink system should operate at a deficit, the City and other nearby jurisdictions may be asked to increase their funding to Metro. The City presently has no legal obligation to increase its level of funding to Metro.

### **Development**

The St. Louis Development Corporation (the "SLDC") is a nonprofit corporation which provides technical expertise, staff and support services to public or civic bodies engaged in improving economic opportunities in the City. The SLDC functions as an umbrella entity for numerous agencies and authorities with a broad variety of functions and powers for the City. There are approximately 75 staff members who work under several divisions, including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration. The agencies served by the staff of the SLDC include: Land Clearance for Redevelopment Authority; Planned Industrial Expansion Authority; Land Reutilization Authority; Local Development Company (SBA); Industrial Development Authority; Port Authority; Tax Increment Financing Commission; Downtown Economic Stimulus Authority; and Operation Impact. SLDC works especially closely on planning and development matters with two City departments – the Planning and Urban Design Agency and the Community Development Administration.

### **Other**

Other public bodies and agencies operating in the City include, but are not limited to, the St. Louis Housing Authority, Regional Convention and Visitors Commission, Regional Chamber and Growth Association, the East-West Gateway Coordinating Council, the Regional Convention and Sports Complex Authority and the Downtown Saint Louis Partnership, Inc.

## ECONOMIC AND DEMOGRAPHIC DATA

### Population Statistics

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "Metropolitan Area") consisting of: the City; the City of Sullivan in Crawford County, Missouri; Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington Counties in Missouri; and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair Counties in Illinois. The Metropolitan Area, covering approximately 8,649 square miles in the States of Missouri and Illinois, is the 18th largest metropolitan area in the United States in terms of population. During the past 35 years, there has been substantial population growth in the outermost counties surrounding the City. At the same time, the City had experienced a substantial population loss. According to Census Bureau estimates for 2003, however, the City's population grew for the first time in more than four decades. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years.

<b>Calendar Year</b>	<b>City of St. Louis</b>	<b>Metropolitan Area</b>
2000	348,189	2,698,672
2001	347,954	2,720,830
2002	347,252	2,736,733
2003	348,039	2,750,114
2004	350,705	2,766,043
2005	352,572	2,782,411
2006	353,837	2,796,368

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Source: U.S. Bureau of Census  
Missouri Department of Economic Development.

Estimates of population since 2000 have been challenged by the City because the Census Bureau has used an Administrative Records methodology (births, deaths, domestic migration and international migration) which treats the City as a County. The City has challenged lower Census Bureau estimates by using the Census Bureau's Housing Unit methodology (net increase in units times the occupancy rate and household size as of 2000), which the Census Bureau uses for all cities that are not also counties. Upon receipt of the City's challenges, the Census Bureau adjusted the estimates upwards to the figures shown in the table above. The new estimates are now reflected in the Census Bureau's records and website.

### Industry

There are approximately 90,000 employees working in downtown St. Louis. The downtown area is the office center in a region of approximately 2.8 million residents with more than 11 million square feet of Class A and B office space and is home to approximately 1,700 businesses. The St. Louis region ties as the nation's sixth largest corporate headquarters market, with eight Fortune 500 corporations located in the St. Louis Metropolitan Area in 2006. Twelve additional St. Louis companies ranked between 501 and 1,000 on the Fortune 1000 list.

In April 2006, the City opened a new ballpark to house the St. Louis Cardinals baseball team. The new ballpark and other downtown developments such as lofts, condominiums, more than 60 new street level retail stores and restaurants, new hotels, and newly rehabilitated office space are creating a "24/7" environment. The City believes the new ballpark, coupled with the variety of other new activity downtown, has helped generate optimism among businesses and developers about locating in downtown St. Louis. This optimism also permeates neighborhoods throughout the City as manufacturers, retail

businesses, service providers, restaurants and other companies are locating within the City or expanding their current facilities and a variety of quality new homes are being built throughout the City. Additional detail on these developments is provided in the "Employment and Business Development" section below.

In recognition of the turnaround in downtown, Partners for Livable Cities honored the City in March 2006 with an award for significant transformation of the City's downtown. The World Leadership Forum also honored the City with an international award for urban renewal in December 2006.

## **Tourism**

According to the St. Louis Convention and Visitors Commission (the "CVC"), the City ranks among the top 25 markets nationally for hotel room inventory. Each year an estimated 20.3 million people visit St. Louis for conventions, meetings, and other business and leisure travel. Those visitors spend an estimated \$3.5 billion in the area on lodging, meals, sightseeing, local transportation, shopping, admissions and a variety of goods and services.

The hospitality industry in St. Louis employs approximately 75,000 area residents. Downtown St. Louis has 22 hotels within a mile of the convention complex known as the America's Center. These hotels offer more than 7,600 sleeping rooms, an increase of more than 2,200 downtown rooms in the past four years.

Some of the newest hotels are a result of renovations of historic structures, including the Renaissance Grand and the Renaissance Suites, the Hilton, the Sheraton City Center, the Drury Plaza and the Westin. Existing hotels, including the Adam's Mark, Hyatt Regency, Millennium, Roberts Mayfair and others, have undertaken extensive renovations to their properties. The former Marriott Pavilion hotel was been converted to a Hilton, following extensive renovations. In addition, a new Marriott Residence Inn opened in late 2005 on the western edge of downtown, and a new Hampton Inn opened in May 2005 at the Highlands across from Forest Park.

In 2006, 360 convention and meeting groups booked by the CVC used approximately 467,694 hotel room nights in City and St. Louis County hotels. As of August 2007, 435,252 room nights have been or are expected to be used by convention and meeting groups booked by the CVC in 2007. A concerted effort is being made to increase that number, with the recruitment of a new CVC President with extensive experience in the national convention booking arena.

The City ranks as the second largest inland port in the United States handling more than 33 million tons of freight each year. The Airport had approximately 273,000 commercial aircraft operations (arrivals and departures) and approximately 15.2 million enplaned and deplaned passengers in 2006. On average, there were 789 daily departures and arrivals. The Airport has 83 gates serving 10 major airlines. The Airport completed a \$1.1 billion multi-year expansion program in 2006. This expansion added a third parallel runway, improving capacity in all weather conditions. The runway became operational on April 13, 2006. American Airlines ("American") remains the Airport's primary air carrier. In 2007, the Airport is embarking on major renovations and upgrades to the main terminal and concourses. This initiative is intended to improve the Airport's appeal to passengers of all types.

MidAmerica Airport ("MidAmerica"), a joint-use facility with Scott Air Force Base, is located in Illinois approximately 25 miles from downtown St. Louis. MidAmerica is a \$210 million first-class metropolitan airport that serves as the Metropolitan Area's cargo, corporate aircraft and reliever airport. The construction of MidAmerica began in 1992, and it opened in November 1997. With the exception of certain overseas flights that require a longer runway for take-offs, MidAmerica's 10,000-foot runway can accommodate most types of aircraft in use today. MidAmerica has enhanced the Metropolitan Area's



reputation as one of the nation's premiere transportation centers. The Bi-State Development Agency, which operates the MetroLink system, has extended the MetroLink line to Southwestern Illinois College and another 8.9 miles to reach MidAmerica.

## Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri and the Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the U.S. Department of Labor, the February 2007 data shows that manufacturing jobs represented 10.35% or 138,600 of the total 1,339,600 non-farm jobs in the Metropolitan Area. The Metropolitan Area's major industries include aviation, biotechnology, chemicals, electrical utilities, food and beverage manufacturing, refining, research, telecommunications and transportation.

The following table reflects the City's annual average employment by industry group for 2006.

### CITY EMPLOYMENT BY INDUSTRY GROUP (TOTAL NON FARM)

<u>Industry Group</u>	<u>Employees</u>	<u>Percentage</u>
Services	87,624	39.65%
Government	35,197	15.93%
Manufacturing	23,907	10.82%
Finance Activities	11,416	5.17%
Trade, Transportation and Utilities	27,088	12.26%
Leisure and Hospitality	22,947	10.38%
Information	4,408	1.99%
Natural Resources, Mining and Construction	<u>8,410</u>	<u>3.81%</u>
Total	220,997	100.0%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

There were 213,096 non-farm jobs within the City in December 2006, representing 16% of the region's job base. Job growth in the City has been concentrated in the service sector and the City anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education, and the tourism and convention business.

## Employment Rates

The following table shows employment rates for City, state and U.S. residents in the calendar years below, except at otherwise indicated.

	<u>June 2007*</u>	<u>Average 2006</u>	<u>Average 2005</u>	<u>Average 2004</u>	<u>Average 2003</u>
Labor Force	162,164	158,275	160,920	161,554	164,537
Number Employed	150,216	147,428	147,825	146,935	150,435
% City Unemployed	7.4%	6.9%	8.1%	9.0%	8.6%
% State Unemployed	4.8%	4.8%	5.4%	5.8%	5.6%
% U.S. Unemployed	4.5%	4.6%	5.1%	5.5%	6.0%

\* Preliminary, subject to change.

Source: Missouri Department of Economic Development.

## Major Employers

The following table lists the top 20 employers in the City based on the average of the fourth quarter payroll tax reports of 2006.

### TOP 20 EMPLOYERS BY NUMBER OF EMPLOYEES CALENDAR YEAR 2006

<u>Name</u>	<u>Employees</u>
BJC Health System	15,351
Washington University	13,006
St. Louis University	9,379
City of St. Louis	8,647
AT&T	6,628
St. Louis Board of Education	6,232
United States Postal Service	5,800
State of Missouri	5,310
Anheuser Busch	5,033
A.G. Edwards & Sons, Inc.~	5,016
Federated Retail Holdings <sup>†</sup>	4,137
National Finance Center <sup>*</sup>	3,658
Express Personnel Services	3,366
Defense Finance and Accounting Services <sup>*</sup>	3,336
Ameren Corporation	2,427
Schnucks Markets Inc.	2,406
Veterans Administration	2,362
Tenet Health Systems	2,241
St. Louis Junior College District	2,206
St. Louis Sports Service	2,227

~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.

<sup>†</sup> May Company was acquired by Federated Department Stores, Inc. in August 2005.

<sup>\*</sup> Federal payroll agency.

Source: City Collector of Revenue.

## Major Taxpayers

The following tables list the 20 largest payers of earnings, payroll, real property and personal property taxes to the Collector of Revenue for calendar year 2006.

### TOP 20 TAXPAYERS - EARNINGS TAX CALENDAR YEAR 2006

<u>Company Name</u>	<u>Amount Paid</u>
Anheuser Busch	\$ 5,507,237
Washington University	5,214,185
AT&T	4,456,139
BJC Health System	3,911,025
City of St. Louis	3,101,654
A.G. Edwards & Sons, Inc.~	2,842,649
St. Louis University	2,545,813
United States Postal Service	2,137,139
Federated Retail Holdings <sup>†</sup>	1,861,935
St. Louis Board of Education	1,824,916
Defense Finance & Accounting Service	1,816,786
Ameren Corporation	1,806,018
National Finance Center	1,620,670
Sigma Aldrich	1,547,053
Nestlé Purina Petcare	1,476,422
State of Missouri	1,202,463
Veterans Administration	991,816
St. Louis Children's Hospital	968,002
St. Louis Cardinals LP	814,486
Peabody Investments	769,460

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~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.

† May Company was acquired by Federated Department Stores, Inc. in August 2005.

Source: City Collector of Revenue.

**TOP 20 TAXPAYERS - PAYROLL EXPENSE TAX  
CALENDAR YEAR 2006**

<b><u>Company Name</u></b>	<b><u>Amount Paid</u></b>
AT&T	\$ 2,070,616
Anheuser Busch	2,032,168
A.G. Edwards & Sons, Inc.~	1,561,358
Federated Retail Holdings <sup>†</sup>	874,405
Nestlé Purina Petcare	781,637
Ameren Corporation	718,760
Sigma Aldrich	448,344
St. Louis Cardinal LP	418,838
US Bank NA	415,087
Peabody Investments Corp.	407,403
Tenet Health Systems	404,690
Thompson Coburn LLP	388,076
The Anthem Companies	374,240
Tyco Healthcare Group	348,585
Bank of America NA	326,819
Laclede Gas	288,787
St. Louis Post-Dispatch LLC	210,659
Bryan Cave LLP	200,826
Forest Park Hospital	183,710
St. Alexius Hospital Corp.	178,814

~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.

† May Company was acquired by Federated Department Stores, Inc. in August 2005.

Source: City Collector of Revenue.

**TOP 20 TAXPAYERS - REAL ESTATE TAX  
CALENDAR YEAR 2006**

<b><u>Company Name</u></b>	<b><u>Amount Paid</u></b>
Anheuser Busch	\$ 5,883,763
Ameren/Union Electric	5,495,847
Laclede Gas	4,708,692
SBC Communications	3,756,916
AGE Properties	2,052,898
UPG-Kiener/Stadium Parking LLC	2,021,725
First States Investor	1,945,028
Metropolitan Square & East 10 <sup>th</sup> St. LLC	1,771,766
Mercantile/US/Firststar	1,725,473
Union Station Holdings Inc.	1,662,066
Ralston Purina	1,159,205
Kingsdell, LP	898,150
Mallinckrodt	895,031
Gateway Regal Holdings LLC	849,222
Seven-Seventeen Redevelopment	723,832
NNN Gateway One LLC	657,629
Sigma Chemical Corporation	615,910
Equitable Broadway	611,439
Hampton Village Association	515,546
Gateway Stadium LLC	428,072

Source: City Collector of Revenue.

**TOP 20 TAXPAYERS - PERSONAL PROPERTY TAX  
CALENDAR YEAR 2006**

<u>Company Name</u>	<u>Amount</u>
SBC Service Inc.	\$ 2,951,836
Anheuser-Busch Inc.	1,569,738
Ameren Union Electric Company	1,255,526
Laclede Gas	1,029,584
Tenet Health System	739,145
Nestlé Purina Petcare Inc.	593,101
Cybertel Cellular	552,317
Federated Retail Holdings <sup>†</sup>	405,775
IBM Credit Corp	386,344
Janus Hotels and Resorts	349,515
Western United	349,515
Mallinckrodt Inc.	342,449
Charter Communications	340,764
A.G. Edwards & Sons, Inc.-	315,082
RightChoice Managed Care	299,481
President Riverboat Casino	273,318
Alberici Constructors	242,838
Hogan Motor Leasing Inc.	234,801
Enterprise Leasing Co.	206,389
GE Capital Information	182,895

† May Company was acquired by Federated Department Stores, Inc. in August 2005.

~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.

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Source: City Collector of Revenue.

## Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years 2001 through 2006.

<b>Calendar Year</b>	<b>Value of Housing New</b>	<b>Rehabilitation</b>	<b>Value of Commercial, Industrial or other Non-Housing</b>	<b>Total Number of Permits</b>	<b>Total Value</b>
2001	\$ 24,626,272	\$ 42,009,902	\$ 366,737,303	5,095	\$ 433,373,477
2002	41,590,777	103,583,045	335,566,980	5,627	480,740,802
2003	112,499,325	103,501,991	326,046,296	5,965	542,047,612
2004	41,002,001	104,936,144	526,140,457	6,069	672,078,602
2005	155,865,516	193,213,943	306,599,451	7,050	655,678,910
2006	67,285,849	137,618,669	664,198,597	6,341	869,103,115

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Source: City Building Division.

## Sports Related Economic Development

The City is home to three major professional sports teams, the St. Louis Rams, the St. Louis Blues and the St. Louis Cardinals. The three teams make significant contributions to the economy of the St. Louis Metropolitan Area with ticket sales, dollars spent at concessions and on merchandise, and money spent at local restaurants and hotels. The three teams also generate positive national media attention for the City. Last year such attention was particularly heavy due to the opening of the new Busch ballpark. Thanks to the quality of its teams and the excellence of its fan base, St. Louis is regarded by many as America's best sports city.

St. Louis also has recently achieved great success as an outstanding host city for sports events. In 2005, the region hosted the Men's NCAA Final Four, generating \$62.1 million in economic impact and significant positive media recognition. St. Louis has hosted three of the past five NCAA Wrestling Championships at the Savvis (now ScottTrade) Center. The City hosted the U.S. Figure Skating Championships in January 2006 and the NCAA Frozen Four hockey finals in 2007, and will host the Women's NCAA Basketball Final Four in 2009.

The new Busch ballpark opened in April 2006 and attendance for the 2006 baseball season exceeded 3.5 million, with approximately 40% of the attendees coming to the City from outside the St. Louis region. As in many previous years, the Cardinals baseball team's post-season play generated approximately \$2 million in additional City revenue in fiscal year 2007, as national attention generated by the new ballpark was enhanced by the Cardinals World Series win. The new Busch ballpark holds more than 46,000 baseball fans. It cost approximately \$386 million to develop, the majority of which (\$290 million) was financed with taxable bonds issued by the ball club and which will be repaid by the club and Cardinals' equity. The remainder of the cost was financed with Missouri tax credit proceeds, a loan from St. Louis County and highway ramp modification funding from the Missouri Department of Transportation. As an inducement for the Cardinals to proceed with the development, the City agreed to waive the 5% amusement tax on ticket sales for games played in the new ballpark if the amount of private investment in the project exceeded \$200 million. The Cardinals met this threshold. Additional revenues from sales tax on game tickets and concessions are expected to offset the loss of the amusement tax

revenue. Ticket and concession sales will continue to generate City and State sales taxes, and the team and visiting teams will continue to pay City earnings and payroll taxes.

The former Busch stadium has been demolished, setting the stage for the new ballpark and the development of Ballpark Village, a six-block, mixed use complex that will occupy the northern half of the site of the old stadium. The Cardinals have teamed with the Cordish Company, a developer with extensive national experience in the development of mixed use entertainment districts, for the development of the Village. Investment in Phase I of the Village development is expected to exceed \$280 million. The Village development is expected to include 100,000 square feet of new Class A office space—the first downtown since the late 1980s—as well as 360,000 square feet of restaurant, retail and entertainment space. Also contemplated are 250 luxury residential condominium units. The Phase I retail/restaurant/ entertainment space is intended for completion in time for the baseball All-Star Game scheduled for July 2009 in St. Louis. It is anticipated that state and local tax increment incentive financing will be provided for this first phase of the development, with no City general revenue exposure. In addition to recurring tax revenues after completion from taxes based on the extensive economic activity the development will create, the development also is expected to generate significant City revenues during construction.

In September 2007, Centene, a St. Louis-based corporation that provides managed care programs and related services to individuals under Medicaid, announced plans to move its corporate headquarters to Ballpark Village. This move will add more than 1,200 new jobs downtown and provide an additional 700,000 square feet of Class A office space and a 1,750 space parking garage with up to 550,000 square feet of additional office space that can be built above the parking garage to accommodate future growth.

## **Business Development**

The City has devoted significant attention during the past six years to business retention and attraction. Following a loss of approximately 20,000 jobs in calendar years 2001 through 2003, the City's job base has now stabilized at approximately 223,000. These jobs represent more than 8% of the jobs and more than 10% of the wage base in the entire State of Missouri, concentrated in the City's 62 square mile geographic area.

As a part of these business attraction and retention efforts, the Business Development Division of the SLDC administers a number of different kinds of loans, working in conjunction with the Local Development Corporation, the Small Business Administration and the federal Economic Development Administration. In addition, the SLDC, working as a team with the Comptroller's Office, the Mayor's Office, and the St. Louis Board of Aldermen, administers the City's Tax Increment Financing ("TIF") program, Downtown Economic Stimulus Authority, and real estate tax abatement incentive programs. Working with the St. Louis Board of Aldermen, the Planning and Urban Design Agency and the Land Clearance for Redevelopment Authority developed plans for the revitalization of various areas of the City—in 2005, the City's Planning Commission adopted the City's first city-wide land use plan since 1947. In addition, SLDC applied for and received from the U.S. Department of Treasury a \$52 million allocation of New Markets Tax Credits that have now been allocated to a variety of organizations for business and real estate development in the City. In March, SLDC applied for an additional allocation of New Markets Tax Credits and is awaiting a decision on the application. During 2006 and 2007, the following notable business attraction, retention, expansion and entrepreneurial business development activities occurred:

- In the business attraction arena, a new Lowe's home improvement store—the first in the City—opened in the fall of 2006 on a vacant site near the southern City limits. This store is attracting business from county as well as City residents. Good Works, a furniture store located in St. Louis



County, is opening a second location in downtown St. Louis, joining the 60 new retailers and restaurants that have opened street-level downtown locations since 2003. Pogue Label, a manufacturing facility, relocated from the county to the City to facilitate the company's expansion. St. Louis Business Center, a 900,000 square foot rehabilitated warehouse/light manufacturing park on the north riverfront, has attracted a wide variety of users from Illinois and other parts of the region, filling the available space. The success of the Business Center has sparked plans for development of two new warehouse/light manufacturing parks on the North Riverfront—one is currently under construction. SLDC also attracted a successful suburban business park developer who is purchasing the long-vacant 33-acre Carondelet Coke site on the City's southern riverfront and is assisting with the environmental cleanup of the property. A new Restaurant Depot—the first in the region—is currently under construction not far from the City's western border and is expected to attract customers from all over the region. The variety of rehabilitated office space is attracting new downtown office tenants, some of whom are currently finalizing their leases on downtown office space. The new Class A office space in Ballpark Village is also attracting attention from office users throughout the region and the country.

- In the business expansion arena, Weismann Dance doubled the size of its manufacturing space and increased its employees by 50%. The company is completing its move to a new location with both a manufacturing facility and a retail store. This move has opened the door to an expansion by American Pulverizer to the location vacated by Weismann. Bissenger's Chocolates expanded its current facility and is now marketing nationwide via catalog and the internet. Solae's consolidated and expanded headquarters and research facility are currently under construction in the CORTEX life sciences district. A number of other existing businesses—Middendorf Meats, LaBarge Products, Tri-Rinse, Asynchrony IT, Rodgers & Townsend, and Nooter—are expanding their City operations. Procter & Gamble continues to expand and add products to its manufacturing line in the City.
- In the "growing new businesses" arena, the City's two incubators—the Center for Emerging Technologies ("CET") and Midtown—are hosting life science and other businesses and assisting them in becoming self sufficient. Stereotaxis, a CET client, raised capital through an IPO and is now located in the original CORTEX building. Dynalabs, a Midtown client, is moving towards an IPO. Other businesses hosted by the Midtown Center include a cookie company, a heating/cooling company, and an environmental testing firm. In addition, local entrepreneurs have purchased majority holdings in a pharmaceutical company with promising drug and drug manufacturing patents, and are in the process of expanding the business and relocating portions of it to the City.
- In the business retention arena, several major professional firms (PriceWaterhouseCoopers, Peckham Guyton Albers & Viets, Inc. and Northwestern Mutual, among others) have renewed their downtown leases, and others are expected to do so. AT&T recently announced its decision to consolidate the Bell South and SBC Yellow Pages headquarters in downtown St. Louis, retaining approximately 700 jobs and opening the door to jobs relocated from Atlanta in the future. AT&T is also in the process of filling vacant space in company-owned property in the City with jobs from other parts of the region and country. In early 2007, the City finalized an arrangement with AT&T to build out a city-wide WIFI system at no cost to the City. Federated Department Stores has completed the transition of May Company and related store operations to Federated branding. The downtown department store remains open as a Macy's and Federated's new Macy's Midwest division is located in the former May Company headquarters in downtown St. Louis.

- The burgeoning market for urban living throughout the City's neighborhoods has not only resulted in the City's first population growth in more than four decades but has also attracted retail development in the City's traditional neighborhood commercial districts. Corner storefronts in Benton Park and along Morganford are being revived as avant garde restaurants and retailers. South Grand continues to grow as the City's Asian ethnic business district, with restaurants, retailers and grocers. The Bosnian community has firmly established itself in the southeastern section of the City and has opened a variety of ethnic restaurants, retail stores, and groceries in this area. Lindell Plaza, newly reinvigorated following its initial construction in the mid-1980s, is now home to an Office Depot and a Qdoba. A City resident and suburban retail developer is moving forward with plans for a "new urbanist" office and retail complex in the Tower Grove East neighborhood. The new Walgreens is now under construction in MLK Plaza located a short distance from downtown St. Louis, and the area across from the former and newly renovated City Hospital will now be home to a City Market—a new urban concept grocery being introduced in St. Louis by a national grocery chain—as well as a variety of other retailers and office users.

Significant numbers of loft-style apartments and condominiums continue to be developed in downtown St. Louis. Loft development also is expanding into other City neighborhoods where historic buildings suitable for adaptive reuse still exist. Response to both loft product and new luxury non-loft product has been positive, and the new residential population is improving both the retail and office markets in downtown. Several developers are planning the construction of new residential towers. The number of newly constructed and substantially rehabilitated homes has dramatically increased in many of the City's neighborhoods. In calendar years 2001 through 2006, approximately 23,000 new and substantially rehabilitated homes were produced in the City. This represents a 13% reconstruction, replacement or addition to the 178,000 homes in the City that were counted in the 2000 census.

Improvement in the downtown environment is also translating into greater attractiveness as a convention and tourism destination, as former eyesores are transformed into historically rehabilitated businesses, homes and stores. The change in the nine-block Old Post Office District immediately south of the America's Center convention facility and the headquarters Renaissance Hotel has been particularly dramatic. The Old Post Office reopened in early 2006 as a new home for Webster University, the Missouri Court of Appeals, other state offices and several businesses. In addition, the Paul Brown and Board of Education Buildings reopened as new rental lofts and retail space. A new parking facility is under construction and the rehabilitation of the Syndicate Trust Building is approximately 50% complete. St. Louis Center and the One City Center Office Tower have been acquired by new owners who plan to reconfigure and convert the Center to street level retail and condominiums. Immediately east of the Convention Center, the new Pinnacle Entertainment gaming and hotel development is now fully under construction, with an expected opening date of November 2007. Pinnacle also has announced plans for a new \$500 million mixed use development on the riverfront, immediately east of the gaming and hotel property.

The City is also embarking on a variety of public and civic improvement initiatives designed to make downtown even more attractive to residents, workers and visitors. An application is currently pending with the Missouri Department of Economic Development that is expected to provide approximately \$26 million in capital for downtown streetscape improvements. The Gateway Foundation has provided funding for a plan for the Gateway Mall, an 18-block green space that runs through the center of downtown. A new "Celebration Center" again hosted a series of 16 free concerts held on the riverfront during the summer of 2007. And the City, the Danforth Foundation, and the National Park Service continue to work together to explore ways in which the riverfront can become an even better center for recreational activities for residents, workers and visitors.

While financing plans for a new Mississippi River bridge immediately north of the riverfront have not been finalized, leaders on both sides of the Mississippi River are now working together to develop a funding plan for the bridge that is acceptable to both Missouri and Illinois.

The region and the City are preparing for the \$500 million reconstruction of a segment of Highway I-64 from Spoede Road in St. Louis County to a point west of downtown St. Louis. Since downtown St. Louis is not included in the construction zone and a variety of interstate highways (I-70, I-44 and I-55, in addition to I-64) converge in downtown, it is not expected downtown will suffer serious negative impact. Nevertheless, City leaders are working with the regional council of governments and the Downtown Partnership to ensure that the City's roadways and signalization system are well-prepared for the commencement of full construction of the City segment in January 2009, and the City has received a special \$3 million grant from the regional council of governments to assist in this process. Reconstruction of the Jefferson Avenue Viaduct and the new Multimodal transportation station will be completed by the end of 2008, paving the way for both more efficient public transit use and detouring during the construction period. The completion of this I-64 reconstruction project will eliminate the need for major additional construction in this stretch of highway for years to come and will enhance both the efficiency and attractiveness of this entranceway into the City.

### **Economic Development**

Since 2002, more than \$3.3 billion of development has been completed in the City, including more than \$2.0 billion of projects in Downtown St. Louis and more than \$1.3 billion of projects in St. Louis neighborhoods. Recently completed projects include the new Busch Stadium, the Old Post Office, the CORTEX Building, and Soulard Market Apartments. A number of neighborhood development projects also are planned or underway. Construction is either underway or soon to begin on nearly \$4.9 billion of additional developments, including \$3.3 billion of Downtown projects and \$1.6 billion of neighborhood projects.

## FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

### Introduction

Management of the City's finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of real and personal property taxes. This section presents information regarding the City's finances, including the City's accounting and budgeting practices.

### Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds.

**Governmental Type Funds** -- Governmental Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than net income determination. The City's governmental type funds include the following:

*General Revenue Fund* -- The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

*Special Revenue Funds* -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

*Debt Service Fund* -- Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation long term debt principal, interest and related costs.

*Capital Project Fund* -- Capital Project Fund is used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds types).

**Proprietary Funds** -- Proprietary Funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City's proprietary fund types include the following:

*Enterprise Funds* -- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

*Internal Service Funds* -- Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.

**Fiduciary Funds** -- Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. A description of the City's fiduciary fund follows:

*Agency Funds* -- Agency Funds are used to account for assets held as an agent by the City for others. Agency Funds are custodial in nature and are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. Pension Trust funds are accounted for and reported similar to proprietary funds.

An annual audit is made of the accounts and the records of the City. This examination is conducted by independent certified public accountants, KPMG LLP, engaged by the Mayor through a competitive process, for this purpose. KPMG LLP has not been engaged to perform and has not performed, since the date of its report referenced herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

## **Budget Process**

The Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Aldermen.

The Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to the beginning of the Fiscal Year, July 1. The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget nor insert new items. Also under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing the City's real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption "GENERAL REVENUE RECEIPTS -- The Hancock Amendment" herein.

Should the Board of Estimate and Apportionment fail to timely submit its proposed budget or tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or tax rate by the beginning of a Fiscal Year, the proposed budget or tax rate recommended by the Board of Estimate and Apportionment, or, in its absence, the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose, reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

## **Financing Controls**

During recent years, the City has implemented significant measures to upgrade its financial reporting systems. This was done in an effort to bring the financial system in line with the requirements of generally accepted accounting principles. The City's Comprehensive Annual Financial Report for Fiscal Year 2006 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA"). This was the twentieth consecutive year the City has received this prestigious award. The Certificate of Achievement is awarded to recognize a governmental unit that published an easily readable and efficiently organized comprehensive annual report that meets both generally accepted accounting principles and applicable legal requirements. The GFOA presented an award of Distinguished Presentation to the Budget Division, City of St. Louis for its annual budget for the Fiscal Year beginning July 1, 2006. This award is given in recognition of a government unit that publishes a budget document that meets program criteria as a policy document, an operations guide and as a communicative device.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System"). The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides (1) integrated general and subsidiary accounting of all funds, (2) appropriation/encumbrance accounting and controls, and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Through annual appropriations, the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personnel services, supplies and materials, rental and leases, non-capital equipment, capital leases, contractual and other services, and debt service.

Encumbrances are recorded by the Control Section through an on line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Department appropriations are allowed to be adjusted by transfers of appropriations with the prior approval of the Board of Estimate and Apportionment. The Comptroller is able to control all of the above using the AIM System.

It is the special responsibility of the Comptroller, as set forth in the Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping of the City's assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City's property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and properly control records. Audits are conducted on a continuing cycle.

### **Cash Management**

Cash management is handled by the City Treasurer. The City Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The City Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. Consistent with state law, all investments held by the City Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer, or in time deposits collateralized by those securities.

### **General Revenue Fund**

In accordance with generally accepted accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Revenue Fund, from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses.

## General Revenue Fund Expenditures

The following table is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for the Fiscal Years 2002 through 2006.

**CITY OF ST. LOUIS**  
**GENERAL REVENUE FUND**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ACCRUAL BASIS – FISCAL YEARS ENDED JUNE 30**  
**(IN THOUSANDS)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues</b>					
Taxes	\$323,848	\$308,836	\$294,387	\$310,932	\$313,482
Licenses & Permits	20,009	18,597	16,960	15,942	15,691
Intergovernmental Aid	25,331	25,593	22,531	13,082	12,175
Charges for Services, net	16,301	14,747	15,810	12,340	12,283
Court Fines & Forfeitures	7,893	8,773	8,906	8,680	8,200
Investment Income	5,800	1,749	1,621	2,260	3,544
Interfund Services provided	4,009	4,519	3,921	4,476	4,864
Miscellaneous	<u>4,265</u>	<u>2,766</u>	<u>4,263</u>	<u>7,499</u>	<u>4,367</u>
Total Revenues	\$407,456	\$385,580	\$368,399	\$375,211	\$374,606
<b>Expenditures</b>					
General Government	\$53,941	\$ 41,651	\$ 43,036	\$ 42,474	\$ 39,043
Convention & Tourism	204	1,795	199	2,201	2,219
Parks and Recreation	18,667	18,279	18,501	18,184	17,765
Judicial	40,427	40,478	40,059	41,603	39,393
Streets	27,930	28,000	28,695	30,005	31,680
Public Safety	230,814	218,927	223,776	216,095	205,618
Health and Welfare	3,511	2,941	4,989	2,705	11,332
Public Services	23,122	21,401	22,131	24,283	22,868
Capital Outlay	-	-	-	-	15
Debt Service	<u>16,925</u>	<u>27,000</u>	<u>19,832</u>	<u>30,060</u>	<u>26,209</u>
Total Expenditures	<u>\$415,541</u>	<u>\$400,472</u>	<u>\$401,218</u>	<u>\$407,610</u>	<u>\$396,142</u>
<b>Excess of Revenues Over (Under) Expenditures</b>					
<b>Other Finance Sources/(Uses)</b>	\$(8,085)	\$(14,892)	\$(32,819)	\$(32,399)	\$(21,536)
Issuance leasehold revenue bonds	-	-	-	141,975	65,348
Premium on leasehold revenue bonds	-	-	-	11,251	1,935
Payment refunded to Bond Escrow Agent	-	-	-	(149,808)	(62,789)
Transfers In	18,536	20,386	24,458	21,025	18,686
Recovery of legal judgment	-	-	2,972	-	-
Transfers Out	<u>(2,954)</u>	<u>(2,603)</u>	<u>(1,419)</u>	<u>(3,249)</u>	<u>(9,802)</u>
Total Other Financing Sources (Uses)	\$15,582	\$17,783	\$26,011	\$21,194	\$13,378
<b>Excess of Revenues &amp; Other Finance Sources Over (Under) Expenditures &amp; Other Uses</b>	7,497	2,891	(6,808)	(11,205)	(8,158)
Fund Balances (Beginning of Fiscal Year)	<u>72,797</u>	<u>69,906</u>	<u>76,714</u>	<u>87,919</u>	<u>96,077</u>
Fund Balances (End of Fiscal Year)	<u>\$80,294</u>	<u>\$72,797</u>	<u>\$69,906</u>	<u>\$76,714</u>	<u>\$87,919</u>

Source: Audited Financial Statements



The following table shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for the Fiscal Years 2004 through 2006.

**CITY OF ST. LOUIS  
GENERAL REVENUE FUND  
SUMMARY OF OPERATIONS  
CASH BASIS - FISCAL YEARS ENDED JUNE 30  
(IN THOUSANDS)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>			
Taxes	\$329,956	\$313,108	\$318,813
Licenses & Permits	19,504	18,597	17,165
Intergovernmental Aid	19,766	17,979	6,788
Charges for Services	20,736	19,954	20,243
Court Fines & Forfeitures	4,109	4,730	5,378
Interest	2,079	680	76
Miscellaneous	<u>3,414</u>	<u>2,910</u>	<u>3,163</u>
Total Revenues	<u>\$399,564</u>	<u>\$377,958</u>	<u>\$371,626</u>
<b>Expenditures</b>			
General Government	\$41,603	\$ 42,829	\$ 41,424
Convention & Tourism	208	1,797	1,895
Parks & Recreation	19,343	18,208	18,407
Judicial	41,475	40,102	40,216
Streets	28,058	28,104	28,569
Public Safety	101,542	91,244	94,083
Police	133,247	129,754	128,136
Health & Welfare	3,590	2,719	5,113
Public Services	23,069	21,447	22,141
Debt Service	<u>9,901</u>	<u>22,398</u>	<u>374</u>
Total Expenditure	<u>\$402,036</u>	<u>\$398,602</u>	<u>\$394,358</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(2,472)</u>	<u>(20,644)</u>	<u>(22,732)</u>
<b>Other Financial Sources (Uses):</b>			
Transfers In	\$25,202	\$21,461	\$18,665
Transfers Out <sup>1</sup>	<u>(11,667)</u>	<u>(2,639)</u>	<u>(3,327)</u>
Total Other Finance Sources (Uses)	<u>\$13,535</u>	<u>\$18,822</u>	<u>\$15,338</u>
<b>Excess of Revenues &amp; Other Finance Sources Over (Under)</b>			
<b>Expenditures &amp; Other Finance Uses</b>	\$11,063	\$(1,822)	\$(7,394)
Fund Balances (Beginning of Fiscal Year)	<u>11,215</u>	<u>13,037</u>	<u>20,431</u>
Fund Balances (End of Fiscal Year)	<u>\$22,278</u>	<u>\$11,215</u>	<u>\$13,037</u>

<sup>1</sup> Transfers include transfers to and from reserves.  
Source: City Comptroller's Office.

## GENERAL REVENUE RECEIPTS

### General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years 2004 through 2006.

	<b>Fiscal Year</b>		
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
TAXES:			
Earnings	31.67%	30.78%	31.03%
Franchise	12.70	13.04	13.39
Sales	11.38	11.52	11.51
Gross Receipts	3.06	2.96	3.00
Motor Vehicle Sales Tax	0.89	0.89	0.90
Real Estate	8.37	8.15	8.15
Personal Property	2.41	2.78	2.89
Payroll	8.72	7.91	8.07
Other Taxes	<u>0.14</u>	<u>0.36</u>	<u>0.18</u>
Total Taxes	<u>79.34</u>	<u>78.39</u>	<u>79.12</u>
License Fees	<u>4.68</u>	4.66	<u>4.39</u>
Departmental Receipts	<u>12.03</u>	11.54	<u>11.71</u>
27th Pay Reserve Transfers		0.04	
Transfers	<u>3.95</u>	<u>5.37</u>	<u>4.78</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City Comptroller's Office.

### Earnings Tax

The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing approximately 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2006. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and is imposed on the gross income of individuals and of net profits of businesses within the City. The current rate of 1% has been in effect since 1959.

Earnings Taxes are withheld by employers and submitted to the City on a quarterly basis, except for employers withholding more than \$1,500 per month, who remit their taxes monthly. Residents of the City who are employed outside of the City and do not have the Earnings Tax withheld from their pay are required to file a tax return and pay the Earnings Tax on an annual basis.

The City's General Fund Earnings Tax revenue for the Fiscal Years 2002 through 2006 was as follows:

<u>Fiscal Year</u>	<u>Earnings Tax</u>
2002	\$121,656,641
2003	122,206,236
2004	121,111,509
2005	122,941,515
2006	131,735,560

Source: City Comptroller's Office.

### **Franchise Tax**

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. This tax is passed on to the consumers by the utilities. The tax on Laclede Gas Company and AmerenUE is 10% on the gross receipts from their commercial customers and 4% on the gross receipts from their residential customers. Charter Communications, Inc. is taxed at 5% on the gross revenues for its City cable franchise. Charter Communications tax revenues are not included in General Fund. The telecommunications companies, Trigen Energy Corp. and the Water Division of the City, are taxed at 10% on their gross receipts from all users, and the Airport pays 5% of its gross receipts, all to the General Revenue Fund. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City's General Fund Franchise Tax revenue for the Fiscal Years 2002 through 2006 was as follows:

<u>Fiscal Year</u>	<u>Franchise Tax</u>
2002	\$51,581,018
2003	52,153,791
2004	52,271,960
2005	52,083,765
2006	52,851,002

Source: City Comptroller's Office.

### **Sales and Use Tax**

A City sales tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, is collected on a monthly basis by the State of Missouri along with the State sales tax and is remitted to the City by the 10th of the following month. The current sales tax rate is 7.741%, which includes both the State and the City portions of the sales tax. A portion of revenue collected from the tax goes to the Metropolitan Park and Recreation District as well as to the Capital Improvement Fund. St. Louis Public Schools receive .666% of the sales tax collected. Effective April 1, 2007, City voters passed an increase to the tax rate of .125% to be used for City parks and recreation.

In addition, the City imposes a use tax on all out-of-state purchases by in-state residents that are greater than \$2,000. Use tax is earmarked to provide funds for the development and the preservation of affordable and accessible housing, public health care services and building demolition. The current use tax rate is 6.95%. The use tax revenues are revenues of a special revenue fund and are not deposited into or a part of the general fund.

The City's General Fund Revenue Sales Tax receipts for the Fiscal Years 2002 through 2006 were as follows:

<b><u>Fiscal Year</u></b>	<b><u>Sales Tax</u></b>
2002	\$47,555,507
2003	46,280,903
2004	44,916,621
2005	46,013,082
2006	47,346,639

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Source: City Comptroller's Office.

### **Gross Receipts Tax**

The City's Gross Receipts Tax is derived from three sources: (1) public garage and parking lots tax; (2) amusements admission tax; and (3) restaurant tax.

The City's Gross Receipts Tax revenue for the Fiscal Years 2002 through 2006 was as follows:

<b><u>Fiscal Year</u></b>	<b><u>Gross Receipts Tax</u></b>
2002	\$12,236,354
2003	11,982,766
2004	11,566,876
2005	11,826,756
2006	12,748,707

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Source: City Comptroller's Office.

### **Motor Vehicle Sales Tax**

The Motor Vehicle Sales Tax is collected by the State in the form of the State sales tax and remitted to the City monthly. The distribution is based on residence of the purchaser and not point of purchase.

The City's General Fund Motor Vehicle Sales Tax revenue for the Fiscal Years 2002 through 2006 was as follows:

<b><u>Fiscal Year</u></b>	<b><u>Motor Vehicle Sales Tax</u></b>
2002	\$3,868,712
2003	3,364,018
2004	3,522,049
2005	3,563,374
2006	3,573,545

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Source: City Comptroller's Office.

## Real and Personal Property Taxes

Taxes are levied on all real and personal property within the City owned as of January 1 of each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Real property and personal property are not taxed at the same rate. The formula for setting the tax rate does not allow for more than normal growth in tax collections. As a result, there is no "windfall" to the City based upon the reassessments.

<u>Real Property<sup>1</sup></u>				<u>Personal Property<sup>1</sup></u>		
<u>Calendar Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Manufacturers' Inventory Value</u>	<u>Total Assessed Value</u>
2002	\$2,059,506,810	\$8,616,895,464	\$811,285,903	\$2,436,294,003	\$305,359,625	\$3,176,152,338
2003	2,277,100,961	9,611,957,762	789,866,491	2,371,971,444	296,768,056	3,363,735,508
2004	2,310,268,668	9,741,401,301	770,103,724	2,312,623,796	285,352,828	3,365,725,220
2005	2,802,683,651	12,127,086,889	789,536,333	2,370,979,979	290,522,619	3,882,742,603
2006	2,839,458,315	12,323,639,135	767,274,268	2,304,126,931	286,014,328	3,892,746,911

Source: City Assessor's Office; City License Collector's Office.

The estimated "Market Value" of real property in the City for the last five calendar years is set forth below:

<u>Calendar Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total Real Property</u>
2002	\$3,248,435,938	\$5,368,459,526	\$8,616,895,464
2003	3,467,915,278	6,144,042,484	9,611,957,762
2004	3,533,864,775	6,207,536,526	9,741,401,301
2005	3,834,901,094	8,292,185,795	12,127,086,889
2006	3,830,514,456	8,493,124,679	12,323,639,135

Source: City Assessor's Office.

The tax rate levied on real and personal property during the Fiscal Year 2006 was \$1.3262 per \$100 of assessed valuations and during the Fiscal Year 2005 was \$1.3074 per \$100 of assessed valuations. The collection rate for the Fiscal Year 2006 was 86.1% compared to the rate of 90.7% for the Fiscal Year 2005. Tax receipts paid in protest are distributed to the City after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due is understated. The City's General Fund Real and Personal Property Tax revenue for the Fiscal Years 2002 through 2006, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>
2002	\$29,274,005	\$12,206,249
2003	29,729,948	12,051,536
2004	31,133,552	11,308,831
2005	32,535,672	11,117,309
2006	34,108,578	10,019,639

Source: City Comptroller's Office.

## **Payroll Tax**

Voters approved a Payroll Tax in 1988. The Payroll Tax is 1/2 percent of total compensation paid by a business to its employees for work in the City. The tax is not applicable to nonprofit, charitable, civic organizations or hospitals. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter. The City's General Fund Payroll Tax revenue for the Fiscal Years 2002 through 2006, on a cash basis, was as follows:

<b><u>Fiscal Year</u></b>	<b><u>Payroll Taxes</u></b>
2002	\$35,358,684
2003	31,890,987
2004	31,483,891
2005	31,588,099
2006	36,280,566

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Source: City Comptroller's Office.

## **Other Taxes**

Other taxes collected by the City include the intangible tax, land tax suits, manufacturers tax, commercial property surcharge and county stock insurance tax. The City's General Fund other tax revenue for the Fiscal Years 2002 through 2006, on a cash basis, was as follows:

<b><u>Fiscal Year</u></b>	<b><u>Other Taxes</u></b>
2003	1,335,736
2004	1,427,576
2005	1,438,646
2006	1,273,080

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Source: City Comptroller's Office.

## **License Fees**

License Fees are collected by the City for the use or sale of or conduct of business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. A variety of business licenses and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of City employees in the previous calendar year. The tax ranges from \$150 for employers with two or fewer employees to \$25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of the new license fees is administered by the License Collector's Office. The City's General Fund license fee revenue for the Fiscal Years 2002 through 2006, on a cash basis, was as follows:

<b><u>Fiscal Year</u></b>	<b><u>License Fees</u></b>
2003	15,821,888
2004	17,164,611
2005	18,597,181
2006	19,504,418

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Source: City Comptroller's Office.

## Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts. Also included in Departmental Receipts is Intergovernmental Aid, Interest Earned, and Miscellaneous Receipts. The City's General Fund Departmental Receipts revenue for the Fiscal Years 2002 through 2006, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Departmental Receipts</u>
2002	\$42,834,930
2003	42,665,267
2004	45,717,274
2005	46,253,141
2006	50,104,137

Source: City Comptroller's Office.

## Operating Transfers

A major source of transferred funds is from other Special Revenue Funds. Other Special Revenue Funds consist of the Tourism Fund and pledge accounts released on lease purchase agreements. Remaining transfers represent funds which by law must first be deposited in a fund, other than the General Revenue Fund, which, after a determination by the Comptroller that such deposits are a surplus, are transferred to the General Revenue Fund.

The City's Operating Transfers for Fiscal Years 2002 through 2006, on a cash basis, were as follows:

<u>Fiscal Year</u>	<u>Operating Transfers<sup>1</sup></u>
2002	\$19,775,991
2003	24,793,323
2004	18,664,916
2005	21,460,749
2006	16,443,308

<sup>1</sup> Figures do not include transfers related to certain employment reserves.

Source: City Comptroller's Office.

## The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by voters on November 4, 1980. The amendment (popularly known as the "Hancock Amendment") limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and provides that the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any "tax, license or fee." The precise meaning and application of the phrase "tax, license or fee" is unclear, but in recent decisions, the Missouri Supreme Court has opined that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City's ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

## **INSURANCE**

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by third-party insurance are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims which are made. Each year an appropriation is made to a judgment account, which is segregated and reserved in a nonprofit corporation from which all judgments or settlements are paid. Expenditures for judgments and settlements during the Fiscal Years 2002 through 2006 were:

<b><u>Fiscal Year</u></b>	<b><u>Expenditures</u></b>
2002	\$1,726,155
2003	1,392,281
2004	1,577,279
2005	849,533
2006	1,419,180

Source: City Comptroller's Office.

During Fiscal Year 1992, the City turned the administration of all workers' compensation responsibilities over to the Public Facilities Protection Corporation. A third-party administrator was contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction in the number and severity of workers' compensation claims. This also has enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

In June 2002, the City became self-insured for its employees' health insurance. An internal service fund was established to account for payment of health insurance claims for participants. During Fiscal Year 2005, the City ceased the self-insurance program and again contracted out the health insurance due to favorable rates available at that time.



## **DEBT OF THE CITY**

### **General**

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes upon a two-thirds majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution that reduced the majority vote required for the incurrence of debt for various public purposes by local government and other political subdivisions from two-thirds to four-sevenths at elections on the general municipal election days or the state primary or general election days. Since the City Charter presently requires a two-thirds vote for the issuance of bonds of the City, voter approval of a Charter amendment is needed to reduce the majority requirements as authorized by the State constitutional amendment. A proposed Charter amendment was submitted to City voters in August and November 1988 but at each election the proposal received more than a majority of the votes cast, but less than the required 60%. The Missouri Constitution provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction, extending and improving a sanitary or storm sewer system.

The City also is authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is to be financed with the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

The City is authorized by statute to issue TIF obligations for development projects. In July 1991, the City issued \$15,000,000 of Tax Increment Revenue Bonds (Scullin Redevelopment Area), Series 1991A, for the St. Louis Marketplace project. TIF obligations are secured by incremental tax revenues generated from the property and other taxes generated by improvements to the project area. TIF obligations also may be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing, the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the incremental revenues equaled at least 150% of the annual debt service payments on the bonds for five consecutive years. During Fiscal Year 2007, the General Revenue covered a debt service shortfall of \$602,099.

Likewise, in January 2007, the City issued its Taxable Tax Increment Revenue Notes (600 Washington Redevelopment Project 1 – One City Centre Component) Series 2007. The City has agreed that the appropriate officer of the City shall include in each budget proposal submitted to the Board of Aldermen for each fiscal year that the TIF Notes are outstanding a request for an appropriation of a sum equal to (a) certain moneys on deposit in the Special Allocation Fund (Payments in Lieu of Taxes, Economic Activity Tax Revenues), (b) Municipal Revenues; and (c) City Revenues which constitute other legally available funds of the City in an amount equal to pay the principal of and interest on the TIF Notes. The obligation of the City of St. Louis to appropriate funds for deposit in the City Revenue Fund is not limited to incremental receipts generated by the Redevelopment Project and constitutes a moral obligation to appropriate from any other legally available funds of the City.

## **Tax Increment Financing Projects**

The City has entered into several TIF projects. To the extent that the City has issued or will issue TIF revenue bonds to finance the projects, with the exceptions provided below and excepting the potential posed by the One City Centre Component discussed above, such bonds will be paid from taxes generated in the respective tax increment areas and are not anticipated to affect the City's General Fund. Although numerous TIF areas have been approved by the City, to date, TIF revenue bonds or notes have been issued for only 35 projects. The only TIF project that has been financed with the City's TIF Revenue Bonds is the St. Louis Marketplace (Scullin) TIF project, that cost approximately \$15 million. The TIF area for that project was approved on July 20, 1990 and the TIF Bonds were issued in 1991. In addition, the City's TIF Revenue Bonds were pledged to supplement repayment in the event surplus operating revenues fall short for the Argyle TIF project, which was financed with parking revenue bonds and cost approximately \$3 million. The TIF area for this project was approved on December 11, 1998. Also, TIF will supplement the Euclid-Buckingham Parking Fund Revenue Bonds issued in December 2006 to fund the Euclid-Buckingham garage that cost approximately \$4.5 million.

Three projects were financed with Industrial Development Authority TIF Revenue Bonds, namely, Edison Brothers, for \$5.6 million and approved on January 29, 2000, MLK Development for \$2.3 million and approved on March 18, 2002, and Southtown for \$6.4 million and approved on September 14, 2006.

In addition, two TIF projects were financed "Pay as you go", namely, Lafayette Square, estimated at \$2.0 million and approved on December 26, 2001, and Post Office Square, estimated at \$6.7 million and approved on July 23, 2002.

In December of 2000, the City provided certain financial assistance in connection with the development and construction of a new 165-room all-suites hotel and a new 918-room convention headquarters hotel (collectively, the "Convention Hotel") located in downtown St. Louis. The Convention Hotel is located in two buildings, one adjacent to and the other across the street from the Convention Center. The total cost of developing and constructing the Convention Hotel was approximately \$266 million. The City contributed approximately \$50 million. The City's contribution was funded by a Section 108 loan from the Department of Housing and Urban Development, Community Development Block Grant Funds and certain moneys realized by the City from a refinancing of the Convention Center. The City is using contractual PILOTS payable by the owner of the Convention Hotel to repay the Section 108 loan. The 165-room all-suites hotel building opened in 2002 and the 918-room convention headquarters hotel building opened in 2003. The Convention Hotel was financed through the issuance of industrial development bonds issued by the City's Industrial Development Authority (the "IDA"). These bonds are special, limited obligations of the IDA and the City is not liable on the bonds. The Convention Hotel has experienced financial difficulties but has not defaulted on any payments of principal or interest on the bonds. The City's PILOT payments are secured by a series of first mortgages on the Convention Hotel and the City expects such amounts to continue to be paid by the hotel owner.

The remaining TIF projects are financed with developer-held TIF revenue notes or third-party notes. All TIF revenue notes are special, limited obligations of the City payable solely from and secured by available TIF revenues. The general revenues of the City are not pledged to the payment of the TIF revenue notes and the TIF revenue notes do not constitute a general obligation of the City.

### Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes ("TRANs") during Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANs since Fiscal Year 2004. TRANs have been issued annually since 1984 to bridge gaps in revenue collections.

<u>Fiscal Year</u>	<u>TRANs Issued During Fiscal Year</u>	<u>As a Percent of General Fund Revenues<sup>1</sup></u>
2004	\$50,000,000	12.83%
2005	47,000,000	11.77%
2006	45,000,000	10.59%
2007	36,000,000	8.54%
2008	32,000,000	7.35% <sup>2</sup>

<sup>1</sup> The percentage is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.

<sup>2</sup> Based on estimated General Fund Revenues.

Source: City Comptroller's Office.

### Outstanding Debt

The following table sets forth the principal amount of all bonds, other than TIF obligations, issued by the City that are outstanding as of June 30, 2007:

<u>Bonds</u>	<u>Amount Outstanding</u>
General Obligation Bonds	\$ 54,819,742
Water Revenue Bonds	29,175,000
Parking Revenue Bonds	57,900,000
Airport Revenue Bonds	<u>843,920,000</u>
Total	<u>\$ 985,814,742</u>

Source: City Comptroller's Office.

## Capital Leases

The City has outstanding a number of lease-purchase agreements which can be characterized as capital leases. The major agreements of this type are listed below.

<u>Description</u>	<u>Amount Outstanding October 31, 2007</u>	<u>Remaining Term in Years</u>	<u>Issue Date</u>
Convention Center Bonds, Series 1993A	\$ 2,567,205	6	June 1993
Justice Center Bonds, Series 1996A	2,425,000	2	July 1996
Justice Center Bonds, Series 1996B	15,770,000	7	Aug. 1996
Kiel Site Rev Refunding Bonds, Series 1997A	5,960,000	13	Aug. 1997
Kiel Site Rev Refunding Bonds, Series 1997B	3,730,000	8	Aug. 1997
Justice Center Leasehold Improvement Bonds, Series 2000A	2,895,000	4	Feb. 2000
Compound Interest Leasehold Revenue Bonds, Series 2000	39,999,579	13	Dec. 2000
Justice Center Leasehold Revenue Bonds, Series 2001	61,605,000	15	Sept. 2001
Convention Center Leasehold Refunding Bonds, Series 2003	79,720,000	6	Apr. 2003
Civil Courts Revenue Refunding Bonds, Series 2003A	14,500,000	5	May 2003
MDNR Energy Efficiency Program	1,220,284	3	Nov. 2003
Forest Park Revenue Improvement Bonds, Series 2004	14,945,000	17	Dec. 2004
Compound Interest Leasehold Revenue Bonds, Series 2005	44,997,891	24	May 2005
Justice Center Leasehold Revenue Bonds, Series 2005	15,250,000	14	Aug. 2005
Rolling Stock	9,922,410	12	Sept. 2006
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A	23,725,000	20	Oct. 2006
Convention and Sports Facility Project and Refunding Series 2007C (includes Preservation Payments)	48,615,000	13	May 2007
Abram Building Leasehold Revenue Bonds, Series 2007	4,000,000	10	June 2007
Recreation Sales Tax Leasehold Revenue Bonds, Series 2007	51,965,000	30	July 2007
Compound Taxable Leasehold Revenue and Refunding Bonds, Series 2007 (Pension Funding Project)	<u>140,030,000</u>	30	Sept. 2007
	<u>\$583,842,369</u>		

Source: City Comptroller's Office.

## Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of June 30, 2007, is set forth below.

	<b><u>General Obligation Bonds Outstanding</u></b>	<b><u>Percent Applicable to St. Louis</u></b>	<b><u>City's Direct and Overlapping Debt</u></b>
The City of St. Louis	\$ 54,819,742	100.00%	\$ 54,819,742
Board of Education of the City of St. Louis	<u>239,006,572</u>	100.00%	<u>239,006,572</u>
Total	<u>\$293,826,314</u>		<u>\$293,826,314</u>

Source: City Comptroller's Office.

## Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of June 30, 2007. These figures do not include lease agreements.

	<b><u>Amount</u></b>	<b><u>Per Capita<sup>1</sup></u></b>	<b><u>Ratio to Assessed Value</u></b>
Total Direct Debt	\$ 54,819,742	\$157.44	1.52%
Total Direct and Overlapping Debt	\$293,826,314	\$843.87	8.15%

<sup>1</sup> Based on Population from U.S. Census, 2000 (348,189).

Source: City Comptroller's Office.

## Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of June 30, 2007.

	<b><u>City Purposes Basic Limit</u></b>	<b><u>Streets and Sewers Additional Limit</u></b>
2006 Assessed Value	\$3,892,746,911	\$3,892,746,911
Debt limit - 10% of assessed value	389,274,691	389,274,691
Less: General Obligation Bonds	<u>54,819,742</u>	<u>--</u>
Legal Debt Margin	<u>\$ 334,454,949</u>	<u>\$ 389,274,691</u>

Source: City Comptroller's Office.

## EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employs approximately 5,300 persons who are paid from the City's General Revenue Fund, approximately 1,900 of whom are employees of the Police Department.

Under State law, employees of the City, including those of the Police Department, do not have the authority to bargain collectively. The salaries of employees of the Police Department are established by the Police Board; provided that they remain within the limit established by the Hancock Amendment. All public employees have "meet and confer" rights, which means that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees, although the discussions are not binding. No City employee has the right to strike. The City considers its employee relations to be good.

## RETIREMENT SYSTEMS

The City maintains three retirement plans covering substantially all full-time employees. The plans are The Employees' Retirement System, The Firemen's Retirement System and The Police Retirement System. For each of the plans, liabilities for benefits are not limited to pension fund assets and are a statutory obligation of the City.

Contributions from the City's General Revenue Fund to all plans for the Fiscal Year ended June 30, 2007, totaled \$21,276,635 pension fund assets and are a statutory obligation of the City.

<u>Benefits</u>	<u>Actuarial Value of System Assets</u>	<u>(In Thousands)</u>	
		<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>
Employee's Retirement System	\$527,733	\$666,182	\$138,449
Police Retirement System	702,038	852,599	150,561
Firemen's Retirement System	391,182	429,764	38,582

Source: City Comptroller's Office.

The City has created a "Pension Task Force" to review issues, including future benefit levels and funding sources, including one or more possible bond issues, associated with the three retirement plans described above. A copy of the Pension Task Force's preliminary report is available from the City for review.

## OTHER POST EMPLOYMENT BENEFITS GASB

### Statement No. 45

The Governmental Accounting Standards Board ("GASB") in 2006 issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefit Plans Other than Pension Plans ("OPEB"). This statement establishes uniform financial reporting standards for OPEB expenses and related liabilities in the comprehensive annual financial reports of governmental entities. The value of the obligation to provide retiree benefits must be actuarially calculated and accrued, and reported as a financial obligation of the employer OPEB cost. The main thrust of GASB Statement No. 45 is to require that public sector employers recognize the cost of OPEB over the active service life of their employees rather than on a pay-as-you-go basis. As required by GASB Statement No. 45, this information will be reported for the City beginning in its Comprehensive Annual Financial Report ("CAFR") for the Fiscal Year ending June 30, 2008.

The City currently believes that its only OPEB obligation is with respect to the Metropolitan Police Department of the City of St. Louis ("SLPD"). A review by an actuary will determine if there are any further OPEB obligations that must be calculated and reported under GASB Statement No. 45.

### The Metropolitan Police Department of the City of St. Louis, Missouri

The SLPD is a discretely presented component unit of the City. Complete financial statements may be obtained directly from the SLPD.

SLPD has no authority to levy a tax or issue debt in its name, and therefore, is fiscally dependent on the City for substantially all of its funding. Accordingly, the City's general fund budget includes appropriations for the police department.

Under Section 84.160 of the Revised Statutes of Missouri, the Police Board is required to provide post-retirement healthcare and life insurance benefits for former civilian and commissioned employees who retire subsequent to 1969.

Currently, the City, on behalf of the SLPD, provides healthcare insurance for approximately 1,320 retirees, while approximately 1,500 are provided life insurance benefits. These costs are accounted for on a pay-as-you-go basis. The annual cost to the City of providing these benefits to retirees averages \$4,436 per retiree for healthcare and \$4.54 per retiree for life insurance for the fiscal ending June 30, 2007.

The following is a five year history of the City's annual costs as well as a budgeted cost estimate for the Fiscal Year ending June 30, 2008.

<u>Fiscal Year Ending</u>	<u>City Cost</u>
2008 (budget)	\$6,451,185
2007 (unaudited)	5,605,911
2006	5,514,778
2005	6,470,532
2004	5,545,794
2003	3,714,061

## Status of Compliance with GASB Statement No. 45

In order to meet GASB No. 45 requirements, the SLPD has hired an actuarial firm to calculate the dollar amount of unfunded actuarial accrued liability, if any, of the City as it relates to the SLPD for the Fiscal Year ending June 30, 2008. Although the City does not expect to have any such liability, the City also has hired an actuarial firm to review the City's possible liability. The information produced by the actuaries will be included in the City's CAFR for the Fiscal Year ending June 30, 2008. Historically, the City has funded the full amount of the OPEB obligation from its general fund revenues, and expects to continue to do so.

## LITIGATION

The City is involved in various claims and lawsuits arising in the ordinary course of business that are covered by insurance or that the City does not believe to be material. The following is a summary of lawsuits in which the City is a defendant that may be material, if the outcome of the lawsuit is adverse to the City.

The City of St. Louis Police Retirement System (the "PRS") and the City of St. Louis Firemen's Retirement System (the "FRS") each filed a lawsuit in the Circuit Court of the City of St. Louis against the City seeking declaratory and injunctive relief and damages on the basis that the City was required to appropriate the entire amounts certified by the PRS and the FRS for their fiscal years 2004 and 2004-2005, respectively. The claimed unfunded totals amounted to \$5.3 million by the PRS and \$18.5 million by the FRS. The Circuit Court granted summary judgment in favor of the PRS and FRS, and the City appealed the rulings. The Missouri Eastern District Court of Appeals transferred the cases to the Supreme Court of the State of Missouri. On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court. In May 2007, the City of St. Louis Employee's Retirement System (the "ERS" and together with the PRS and FRS, the "Retirement Systems") delivered notice to the City of ERS' intent to seek similar court judgments for the alleged shortfalls in the City's funding of the ERS for fiscal years 2004 through 2007. In addition, each of the PRS and the FRS filed lawsuits for fiscal year 2005 and 2006 and 2006 and 2007 unfunded amounts, respectively, which totaled \$14.0 million and \$27.7 million, respectively. In response to these lawsuits, the Board of Aldermen authorized the issuance and sale by the Corporation of its \$140,030,000 Taxable Leasehold Revenue and Refunding Bonds, Series 2007 (City of St. Louis, Missouri, Lessee) (Pension Funding Project), for the purpose, among others, of paying the judgments and funding other amounts in connection with the Retirement Systems.

The City is a defendant in *Families for Asbestos Compliance, Testing And Safety v. The City of St. Louis, Missouri and City of St. Louis Airport Authority*, pending in the United States District Court for the Eastern District of Missouri (Civil Action No. 5 CV007 19CJ). This law suit, filed on May 5, 2005, by a not-for-profit-group alleges that the City, as owner and operator of the Airport, violated the Clean Air Act and the Resource Conservation and Recovery Act when it performed "wet demolition" of approximately 300 residential structures under the Airport's W-1W Expansion Program. Plaintiff seeks injunctive and declaratory relief as well as civil penalties and recovery of its costs. The City believes that the suit is without merit and intends to vigorously defend the matter.

\* \* \*



**APPENDIX B**

**INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS  
OF THE CITY OF ST. LOUIS, MISSOURI  
FOR FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE**

**KPMG LLP, THE CITY'S INDEPENDENT AUDITOR, HAS NOT BEEN ENGAGED TO PERFORM AND HAS NOT PERFORMED, SINCE THE DATE OF ITS REPORT INCLUDED HEREIN, ANY PROCEDURES ON THE FINANCIAL STATEMENTS ADDRESSED IN THAT REPORT. KPMG LLP ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.**

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**KPMG LLP**  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## **Independent Auditors' Report**

To the Honorable Mayor and  
Members of the Board of Aldermen  
City of St. Louis, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 2006, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds and St. Louis Development Corporation. The assets and additions of the pension trust funds represent 91% and 100% of the assets and additions, respectively, of the aggregate remaining fund information. The assets and revenues of St. Louis Development Corporation represent 51% and 13% of the assets and revenues, respectively, of the aggregate discretely presented component units. The financial statements of the pension trust funds and St. Louis Development Corporation were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Louis, Missouri's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2006, on our consideration of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 20, the Budgetary Comparison Information on pages 133 through 138, and the Firemen's Retirement System of St. Louis and Employees' Retirement System of the City of St. Louis Information on page 139 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis, Missouri's basic financial statements. The combining and individual fund financial statements and schedules – other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

St. Louis, Missouri  
December 29, 2006

<p style="text-align: center;"><b>CITY OF ST. LOUIS</b> <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> <b>JUNE 30, 2006</b></p>
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This section of the City of St. Louis's (the City) Comprehensive Annual Financial Report presents an easily readable analysis of the City's financial activities based on currently known facts, decisions, and conditions. The following discussion and analysis of the City's financial performance has been prepared by management to provide an overview of the basic financial statements of the City of St. Louis for the fiscal year ended June 30, 2006. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report along with the City's financial statements, including the footnotes that follow the Management's Discussion and Analysis.

**FINANCIAL HIGHLIGHTS (excluding discretely presented component units)**

- On a government-wide basis the City's total assets exceeded its liabilities for the most recent fiscal year by \$1.6 billion.
- Governmental activities and business-type activities had net assets of \$305.3 million and \$1.3 billion, respectively.
- On a government-wide basis during the year, the City's total expenses were \$12.5 million less than the \$911.7 million revenue generated in charges for services, grants, taxes, and other revenues.
- The cost of services for the City's governmental activities was \$654.1 million in fiscal year 2006 (excluding interest and fiscal charges).
- As of June 30, 2006, the City's governmental funds reported combined ending fund balances of \$205.1 million. Of this amount, \$99.0 million is unreserved fund balance and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was \$57.2 million or 13.7% of total general fund expenditures.
- The general fund revenues were higher than original budget estimates.
- In fiscal year 2006, the City issued \$311.9 million in long-term debt to finance projects and refund debt. There was a net decrease of \$34.9 million or 2.1% in bond debt during the current fiscal year.
- Total actual resources available in the General Fund were \$8.4 million more than originally estimated and appropriated.
- Net pension obligations increased by \$15.5 million and net pension asset decreased by \$10.8 million due to the difference between the actuarial determined pension contributions to the three pension funds and the amounts actually contributed.
- Tax increment financing (TIF) debt increased liabilities in the amount of \$28.1 million. There is no related asset for TIF debt, so net increases in TIF debt reduce unrestricted net assets by an equal amount.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### Government-wide Financial Statements

The first set of financial statements is the government-wide statements which report information about the City as a whole using accounting methods similar to those used by private-sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets (excluding fiduciary activity) and how they have changed. In the government-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those normally associated with the operation of a government such as, public safety, parks, and streets. Business-type activities are those activities of the government that are designed to be self-supporting.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

The **Statement of Activities** present information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows.

The statement of activities presents the various functions of the City and the degree to which they are supported by charges for services, federal and state grants and contributions, tax revenues, and investment income.

The governmental activities of the City include general government, convention and tourism, parks and recreation, judicial, streets, public safety (fire, police, other), health and welfare, public service, community development as well as interest and fiscal charges. The business-type activities of the City include an airport, water division, and parking division.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, a legally separate police department for which the City is financially accountable, a not-for-profit skilled nursing facility supported by the City, and a legally separate corporation that owns and leases the downtown steam loop. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements also include blended component units within the primary government because of their governance. Included within the governmental activities of the government-wide financial statements are the operations of the Public Facilities Protection Corporation (PFPC), St. Louis Municipal Finance Corporation and St. Louis Parking Commission Finance Corporation.

### Fund Financial Statements

The second set of statements is fund financial statements, which provide information about groupings of related accounts that are used to maintain control over resources for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. The funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

1. *Governmental Funds.* Governmental funds tell how general government services were financed in the short term as well as what financial resources remain available for future spending to finance City programs.

The City maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and grants fund, which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements.

2. *Proprietary Funds.* Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:
  - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the operations of the Lambert-St. Louis International Airport (Airport), Water Division, and the Parking Division.
  - *Internal Service Funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its mail handling services, for payment of workers' compensation and various other claims, and health insurance.
3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the City. The City is the trustee or fiduciary responsible for assets which can be used only for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Required Supplementary Information**

In addition to the basic financial statements and notes to the financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and required supplementary information pertaining to the Firemen's Retirement System of St. Louis and the Employees' Retirement System of the City of St. Louis pension trust funds. The Police Retirement System of St. Louis uses the aggregate actuarial cost method, and accordingly, no required supplementary information is presented as this method does not identify or separately amortize unfunded actuarially accrued liabilities.

## **Combining Statements**

The combining statements provide fund level detail for all nonmajor governmental funds, internal service funds, pension trust funds, and agency funds.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** The City's combined net assets for fiscal years 2006 and 2005 were \$1.6 billion and \$1.5 billion, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

**The City of St. Louis, Missouri**  
**Schedule of Net Assets**  
**June 30, 2006 and 2005**  
*(dollars in millions)*

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Assets:</b>						
Current and other assets	\$ 336.0	345.2	362.8	457.3	698.8	802.5
Capital assets	768.7	777.5	1,972.6	1,860.5	2,741.3	2,638.0
<b>Total assets</b>	<b>1,104.7</b>	<b>1,122.7</b>	<b>2,335.4</b>	<b>2,317.8</b>	<b>3,440.1</b>	<b>3,440.5</b>
<b>Liabilities:</b>						
Long-term debt outstanding	735.8	719.8	993.8	1,012.4	1,729.6	1,732.2
Other liabilities	63.6	62.7	56.2	67.4	119.8	130.1
<b>Total liabilities</b>	<b>799.4</b>	<b>782.5</b>	<b>1,050.0</b>	<b>1,079.8</b>	<b>1,849.4</b>	<b>1,862.3</b>
<b>Net assets:</b>						
Invested in capital assets,						
Net of related debt	402.3	395.9	1,120.7	1,068.2	1,523.0	1,464.1
Restricted	108.9	121.3	145.3	153.7	254.2	275.0
Unrestricted	(205.9)	(177.0)	19.4	16.1	(186.5)	(160.9)
<b>Total net assets</b>	<b>\$ 305.3</b>	<b>340.2</b>	<b>1,285.4</b>	<b>1,238.0</b>	<b>1,590.7</b>	<b>1,578.2</b>

## ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.6 billion in the current year and \$1.5 billion in the previous year.

The largest portion of the City's net assets, 95.7% reflects its investments of \$1.5 billion in capital assets (for example, infrastructure, land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets at the end of fiscal year 2006 and fiscal 2005, respectively, is \$254.2 million and \$275.0 million, which represent resources that are subject to external restrictions on how they may be used.



Total unrestricted net assets decreased by \$25.6 million for the year ended June 30, 2006. Consequently, unrestricted governmental activities net assets showed a \$205.9 deficit at the end of this year as compared to a \$177.0 million deficit last fiscal year. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

In addition, three particular features of the City's recent financial activity affected the deficit in unrestricted governmental net assets. These activities over the past several years reflect debt to provide development stimulus for which the City received no offsetting asset. They include the following:

- Section 108 loan agreements, \$63.7 million
- Joint venture financing agreement for the expansion of the convention center, \$67.3 million
- Tax increment financing debt for economic development projects in the amount of \$69.8 million

Although the net assets of the business-type activities demonstrated an increase of \$47.4 million, these resources cannot be used to make up for the unrestricted net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the Airport, Water Division, and the Parking Division.

**The City of St. Louis, Missouri**  
**Changes in Net Assets**  
**For the Fiscal Years ended June 30, 2006 and 2005**  
*(dollars in millions)*

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 106.5	77.6	209.4	194.2	315.9	271.8
Operating Grants and Contributions	80.2	111.3	6.7	4.0	86.9	115.3
Capital Grants and Contributions	13.8	1.0	38.3	72.0	52.1	73.0
<b>General revenues:</b>						
Taxes	435.5	416.0			435.5	416.0
Investment Income	9.5	3.1	11.8	11.1	21.3	14.2
<b>Total revenues</b>	<b>645.5</b>	<b>609.0</b>	<b>266.2</b>	<b>281.3</b>	<b>911.7</b>	<b>890.3</b>
<b>Expenses:</b>						
General government	93.6	93.7			93.6	93.7
Convention and tourism	4.6	6.3			4.6	6.3
Parks and recreation	25.4	25.7			25.4	25.7
Judicial	46.6	47.7			46.6	47.7
Streets	59.1	56.2			59.1	56.2
Public Safety:					0.0	0.0
Fire	54.6	51.1			54.6	51.1
Police	134.6	130.6			134.6	130.6
Other	55.7	52.6			55.7	52.6
Health and welfare	46.1	40.6			46.1	40.6
Public service	67.5	62.6			67.5	62.6
Community Development	66.3	57.2			66.3	57.2
Interest on long-term debt	33.7	34.0			33.7	34.0
Airport			156.8	143.4	156.8	143.4
Water Division			40.5	39.8	40.5	39.8
Parking Division			14.1	13.6	14.1	13.6
<b>Total expenses</b>	<b>687.8</b>	<b>658.3</b>	<b>211.4</b>	<b>196.8</b>	<b>899.2</b>	<b>855.1</b>
<b>Increase (decrease) in net assets before gain and transfers</b>	<b>(42.3)</b>	<b>(49.3)</b>	<b>54.8</b>	<b>84.5</b>	<b>12.5</b>	<b>35.2</b>
Gain on sale		0.5		0.4		0.9
Transfers	7.4	7.1	(7.4)	(7.1)	0.0	0.0
<b>Increase (decrease) in net assets</b>	<b>(34.9)</b>	<b>(41.7)</b>	<b>47.4</b>	<b>77.8</b>	<b>12.5</b>	<b>36.1</b>
<b>Net assets-beginning</b>	<b>340.2</b>	<b>381.9</b>	<b>1,238.0</b>	<b>1,160.2</b>	<b>1,578.2</b>	<b>1,542.1</b>
<b>Net assets-ending</b>	<b>\$ 305.3</b>	<b>340.2</b>	<b>1,285.4</b>	<b>1,238.0</b>	<b>1,590.7</b>	<b>1,578.2</b>

**Changes in net assets.** The City's total revenue on a government-wide basis was \$911.7 million, an increase of \$21.4 million over the previous year. Taxes represent 47.8% of the City's revenue as compared to 46.7% last year. Additionally, 34.7% comes from fees charged for services, as compared to 30.5% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

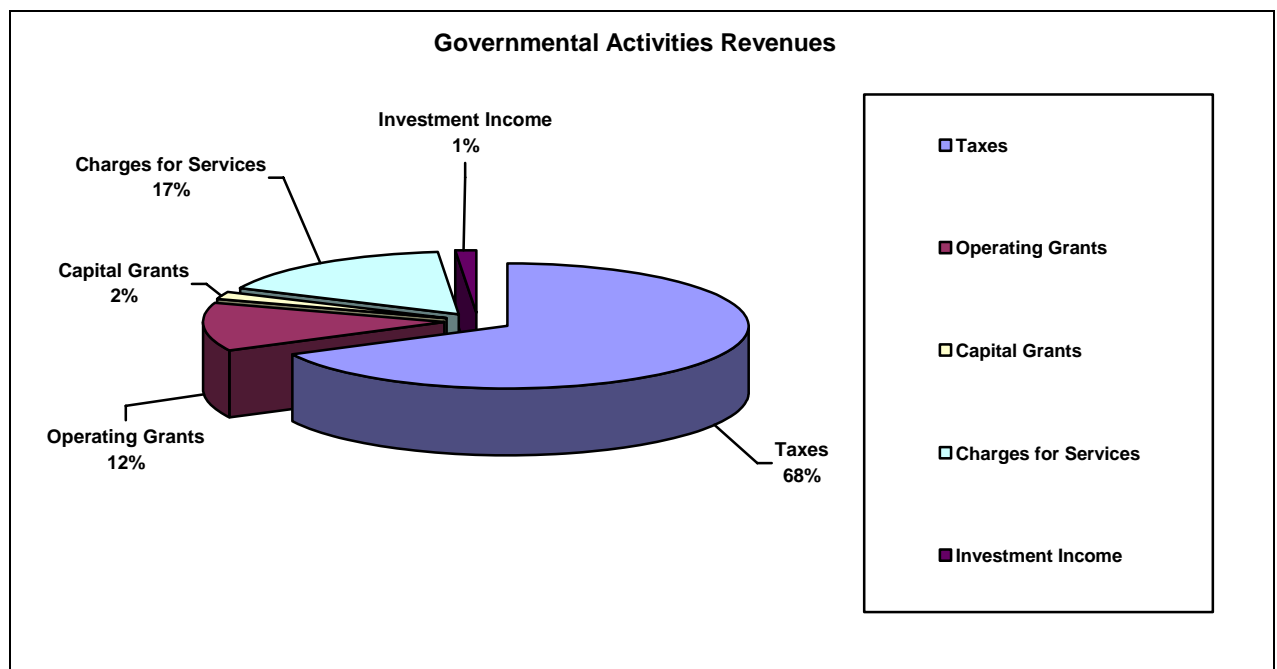
The total cost of all programs and services was \$899.2 million, an increase from \$855.1 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

**Governmental activities.** As a result of this year's operations, the net assets of governmental activities decreased by \$34.9 million or 10.3%. The net asset decrease is primarily related to the anticipated level of spending over the expected growth in revenues. Revenues increased by \$36.5 million or 6.0%, while total expenses increased by \$29.5 million or 4.5%.

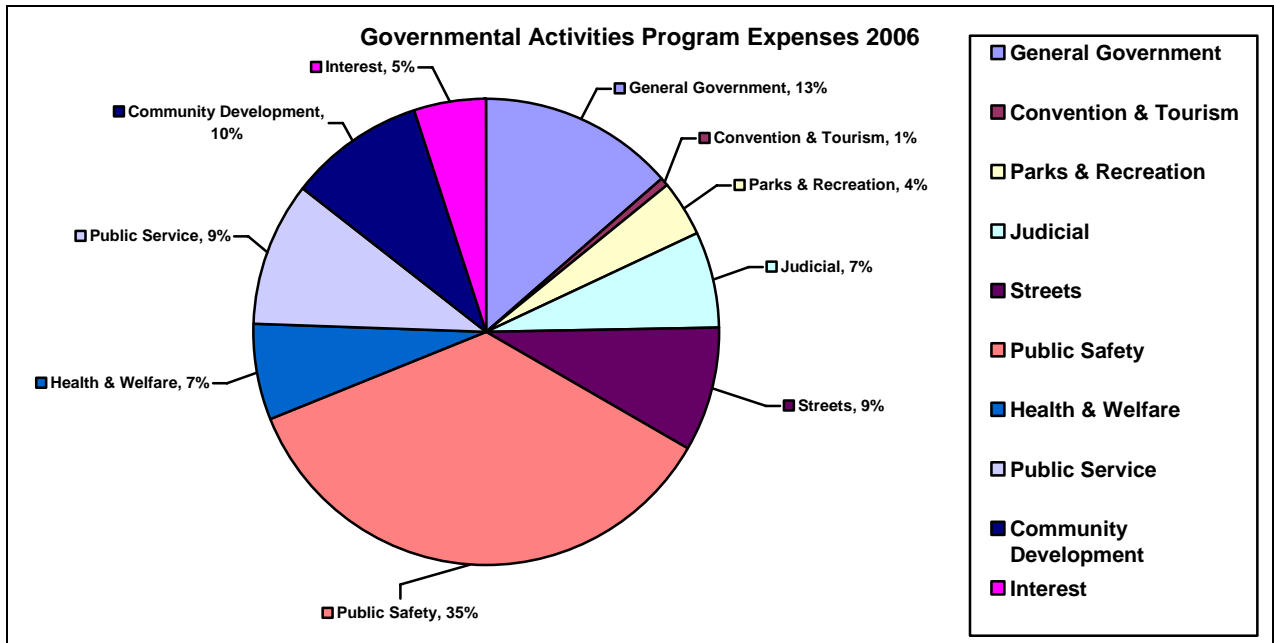
Several revenue sources exceeded final budget estimates. Of the budgeted revenue, taxes had a positive variance of \$14.0 million or 4.4%; license and permits had a positive variance of \$1.2 million or 6.6%; intergovernmental (motor fuel tax allocations, juvenile detention center) had a negative variance of \$0.8 million or 3.9% and charges for services also had a negative variance of \$0.8 million or 3.7%.

Although assessed values for real property have been increasing, the Missouri Constitution requires a rollback of tax rates to prevent a tax revenue windfall to municipal governments.

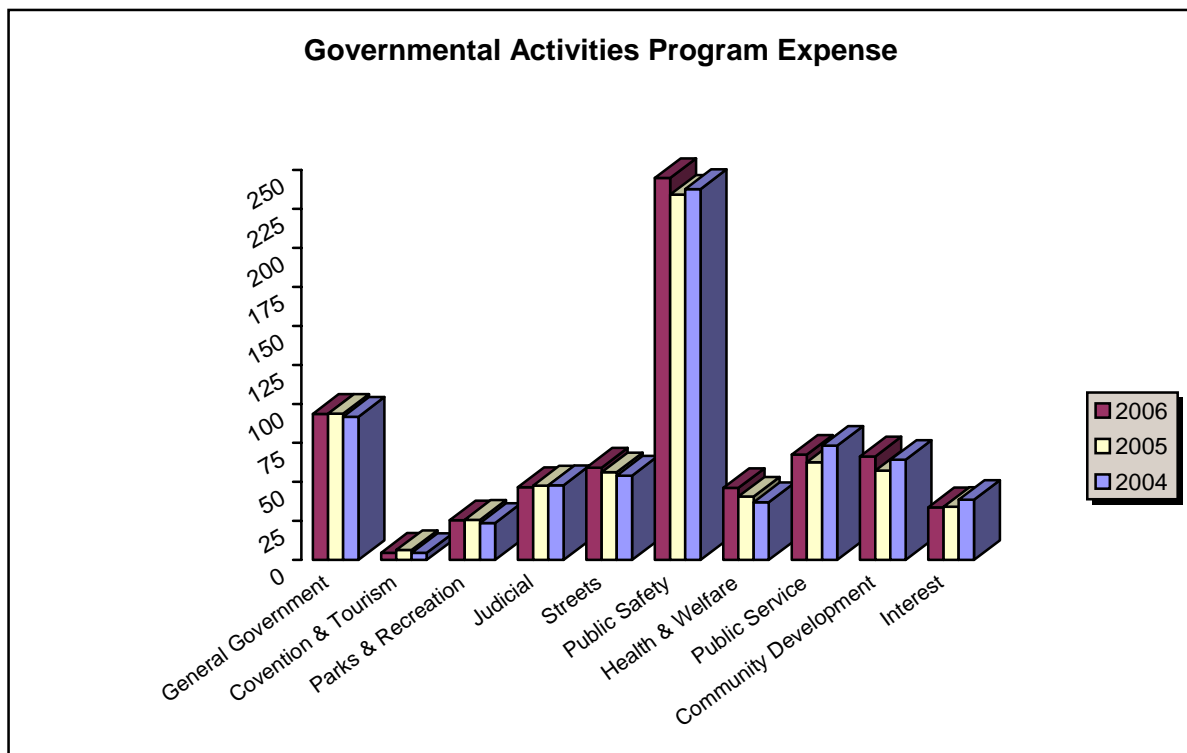
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2006.



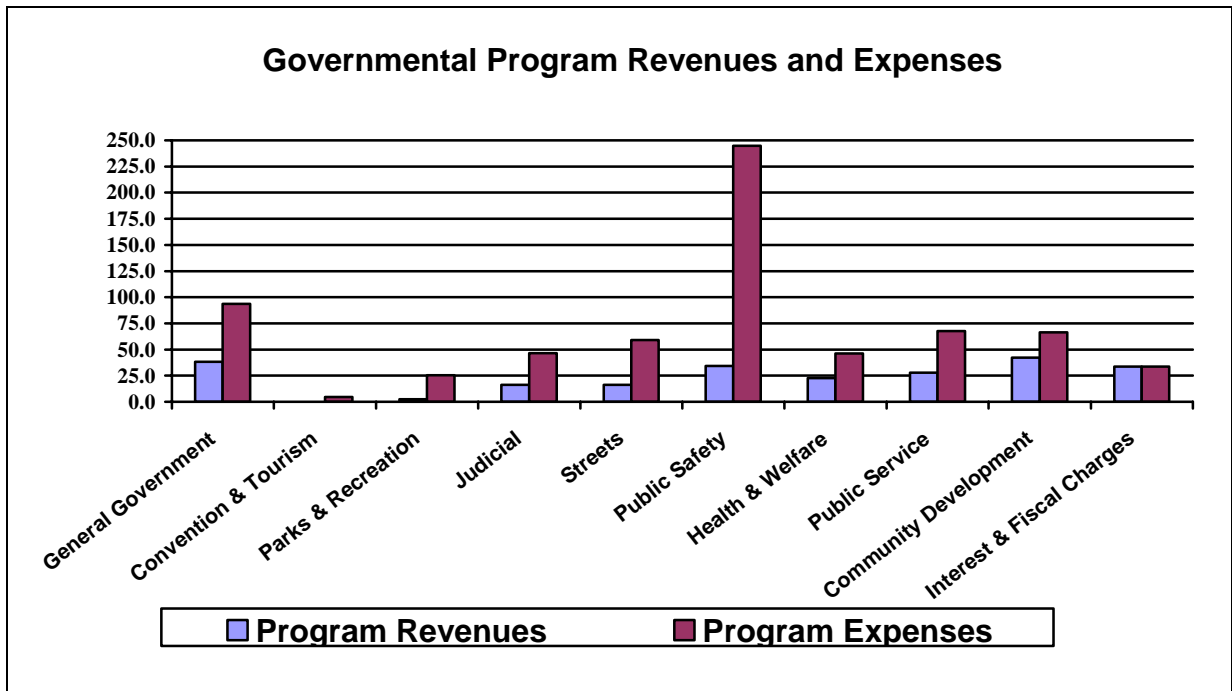
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was \$687.8, an increase of \$29.5 million or 4.5% over the prior year. As shown, public safety is the largest function in expense (35.0%). The majority of the spending was the result of funding the Police Department \$134.6 million and the Fire Department \$54.6 million.



The following chart is a comparison of expense of governmental activities for fiscal years ended 2006, 2005, and 2004.



The following chart depicts the total expenses and total program revenues of the City's governmental functions. This format identifies the extent to which each governmental function is self-financing through fees, intergovernmental revenue, or general revenues.



**The City of St. Louis, Missouri**  
**Governmental Activities**  
*(dollars in millions)*

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
General government	\$ 93.6	93.7	55.3	45.6
Convention and tourism	4.6	6.3	4.6	6.3
Parks and recreation	25.4	25.7	23.0	22.9
Judicial	46.6	47.7	30.3	27.2
Streets	59.1	56.2	42.8	45.9
Public Safety:				
Fire	54.6	51.1	47.3	44.4
Police	134.6	130.6	134.6	129.6
Other	55.7	52.6	28.8	39.1
Health and welfare	46.1	40.6	23.3	24.2
Public service	67.5	62.6	39.6	39.5
Community Development	66.3	57.2	24.0	9.8
<b>Totals</b>	<b>\$ 654.1</b>	<b>624.3</b>	<b>453.6</b>	<b>434.5</b>

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was \$654.1 million compared to \$624.3 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$453.6 million. The difference of \$200.5 million comprises charges for services (\$106.5 million), operating grants and contributions (\$80.2 million), and capital grants and contributions (\$13.8 million).

**Business-Type activities.** Business-type activities reflect an increase in net assets of \$47.4 million or 3.8%. The growth in net assets is due primarily to the increase in capital grants and contributions, and a decrease in operating expenses for the Airport, Water and Parking Division.

**Lambert – St. Louis International Airport.** The net assets of the Airport increased by \$42.0 million or 3.9%. Operating income was \$7.9 million this year versus an operating income of \$4.3 million in 2005. Total operating revenues for 2006 was \$115.7 million. Of this amount, major sources of operating revenue included aviation revenue (44.9%), concession revenue (20.8%), and lease revenue (3.9%). A form of non-operating revenue is passenger facility charges which accounts for (20.1%) of total revenues.

The new Runway W-1W was completed in fiscal year 2006 and approximately \$532.0 million was closed from construction-in-progress.

At June 30, 2006, the Airport had bonded debt of \$861.1 million.

**Parking Division.** The net assets of the Parking Division increased by \$2.0 million or 10.8%. Operating income was \$4.3 million this year versus an operating income of \$3.0 million in 2005. Total operating revenues for 2006 was \$14.6 million. Of this amount, major sources of operating revenue included parking meter revenue (22.8%), parking violations notices revenue (27.4%), and parking facilities revenue (47.5%).

At June 30, 2006, the capital assets balance was \$66.4 million. This amount includes buildings and parking garages (net of accumulated depreciation) \$43.0 million, parking meters and lot equipment \$2.1 million, and land \$21.3 million.

At June 30, 2006, the Parking Division had bonded debt of \$64.5 million.

**Water Division.** The net assets of the Water Division increased by \$3.1 million or 2.3%. Operating income was \$6.1 million this year versus an operating income of \$6.3 million in 2005. Total operating revenues for 2006 was \$45.0 million. Of this amount, major sources of operating revenue included metered revenue (44.5%) and flat rate revenue (40.2%).

At June 30, 2006, the capital assets balance was \$153.7 million. This amount includes buildings and structures (net of accumulated depreciation) with \$18.9 million, reservoirs and water mains with \$88.7 million, equipment with \$37.5 million, land with \$1.2 million and construction-in-progress with \$7.4 million.

At June 30, 2006, the Water Division had bonded debt of \$31.8 million.

**The City of St. Louis, Missouri**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**  
*(dollars in millions)*

	<b>2006</b>	<b>2005</b>	<b>2006 vs. 2005 \$ Change</b>	<b>2006 vs. 2005 % Change</b>
<b>Total Assets</b>	\$ 336.3	333.1	3.2	1.0
<b>Total Liabilities</b>	131.2	113.0	18.2	16.1
<b>Fund Balances:</b>				
Reserved:	106.1	101.7	4.4	4.3
Unreserved:				
General Fund	57.2	47.6	9.6	20.1
Special Revenue	49.0	43.1	5.9	13.8
Capital Projects	(7.2)	27.7	(34.9)	(126.0)
<b>Total fund balances</b>	205.1	220.1	(15.0)	(6.8)
<b>Total liabilities and fund balance</b>	\$ <b>336.3</b>	<b>333.1</b>	<b>3.2</b>	<b>1.0</b>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### *Governmental Funds*

The focus of the City's governmental funds is to provide information on inflows, outflows and balances of current financial resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the unreserved fund balance of the general fund was \$57.2 million, while the total general fund balance was \$80.3 million. As of June 30, 2005, the balances were \$47.6 million and \$72.8 million respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance of \$57.2 million represents 13.7% of total general fund expenditures and transfers out of \$418.5 million, while total general fund balance of \$80.3 million represents 19.2% of total general fund expenditures and transfers out. This compares to 11.8% and 18.0%, respectively, in fiscal year 2005.

The total fund balance in the City's general fund increased by \$7.5 million or 10.3% in the current fiscal year. The City's general fund decreased by \$2.9 million or 4.1% in the prior fiscal year. Key factors in increasing the general fund balance are primarily due to:

1. Economically sensitive sources of revenue such as earnings tax, sales tax, payroll tax, and franchise taxes came in \$7.7 million, \$1.5 million, \$4.2 million, and \$0.6 million respectively, higher than budget estimates.
2. Building permits generated \$0.9 million more than original estimates.

The capital projects fund ended the fiscal year with a negative unreserved fund balance of \$7.2 million and a total positive fund balance of \$60.3 million, as compared to a positive unreserved fund balance of \$27.7 million and a total positive fund balance of \$91.0 million in fiscal year 2005. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received \$80.2 million in intergovernmental revenues and the Community Development Agency spent \$36.8 million, or 45.9%, of these funds. Health and welfare spent \$22.2 million, or 27.7%, of these funds.

### ***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the Airport was \$16.8 million, the Water Division \$2.4 million, and the Parking Division was \$1.4 million, as compared to \$15.7 million, \$1.3 million, and \$0.5 million, respectively in 2005. The internal service funds which are used to account for certain governmental activities, also had negative unrestricted net assets in the amount of \$2.4 million. Last year the unrestricted net assets were negative \$18.9 million. The total growth in net assets for the enterprise funds was \$47.2 million in the current year and \$77.7 million the previous year. Factors contributing to the finances of these funds have been addressed earlier in the Management's Discussion and Analysis of the City's business-type activities.

### ***Fiduciary Funds***

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net assets of the pension funds totaled \$1.6 billion an increase of \$112.1 million from the previous year. The net increase is primarily due to the increase in market value of the pension funds' investment.

The City is the custodian of the agency funds and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets to discuss. As of the end of the current fiscal year, the combined gross assets of the agency funds totaled \$72.8 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, and circuit clerk, and other miscellaneous agency activities.

### **General Fund Budgetary Highlights**

The final budget for the City's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any additional supplemental appropriations that may occur during the fiscal year. The general fund budget includes appropriations for the police department that is a component unit of the city. This discussion presents the budget information on the budgetary basis as the Board of Alderman approves the budget.



In the fiscal year, \$4.2 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations. The original general fund budget total of \$416.4 million includes provisions for an additional payday. City employees are paid bi-weekly and normally have 26 paydays in a fiscal year. Once every 11 years, there are 27 paydays in a fiscal year. Fiscal year 2006 had 27 paydays. The budget for the prior year was \$403.1 million and provided for 26 paydays. General fund revenues and other resources were originally estimated at \$416.4 million. The estimate included a transfer from the reserve for the 27<sup>th</sup> payday in the amount of \$8.7 million. However during the fiscal year, actual revenues and other sources exceeded original estimates by \$8.4 million.

With some under spending in salary and discretionary accounts, the General Fund ended the year with a budget basis surplus of \$11.1 million, which includes internal reserves. As of June 30, 2006, the unreserved fund balance of the General Fund was \$16.6 million per the cash basis.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City had invested \$2.7 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems. This amount represents a net increase for the current fiscal year (including additions and deductions) of \$103.4 million, or 3.9%, over last year.

**The City of St. Louis, Missouri**  
**Schedule of Changes in Capital Assets**  
**Net of Accumulated Depreciation**  
*(dollars in millions)*

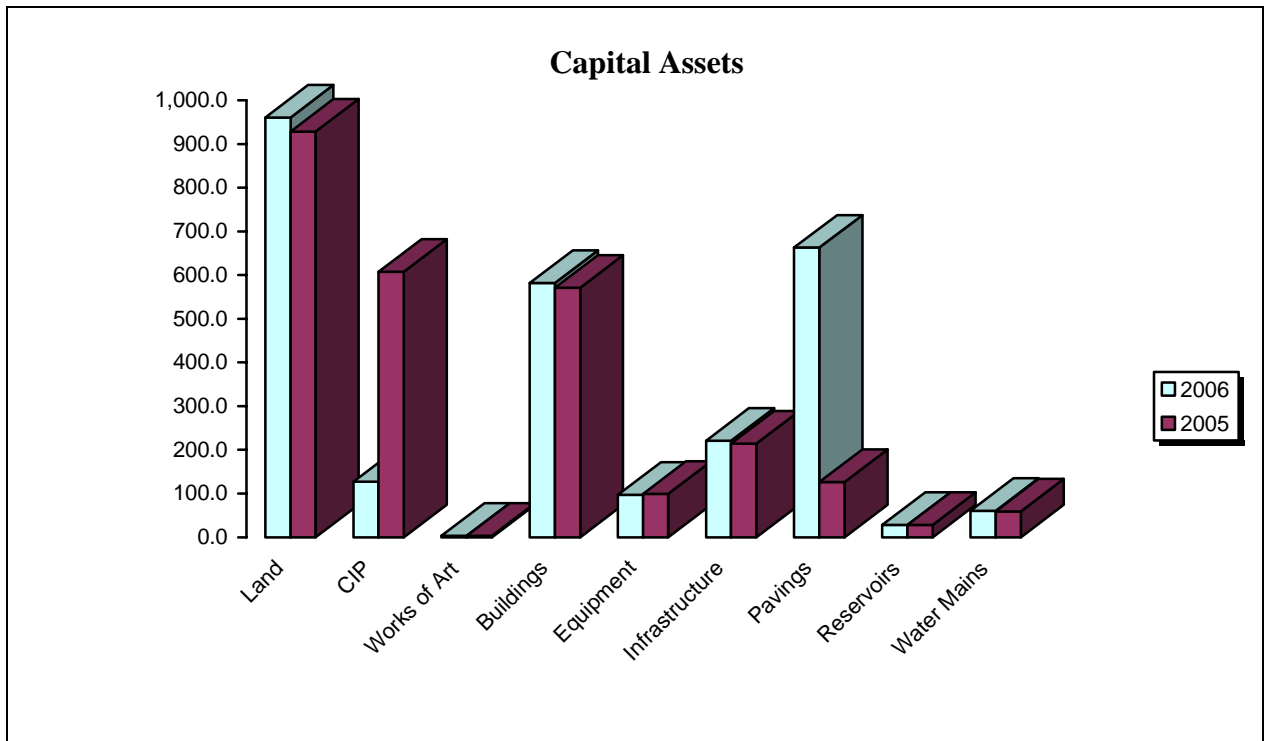
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Land	\$ 77.4	77.4	883.1	851.5	960.5	928.9
Construction-in-progress	58.6	79.7	68.2	527.7	126.8	607.4
Works of art	3.0	3.0			3.0	3.0
Buildings and improvements	363.2	352.7	218.7	218.6	581.9	571.3
Equipment	45.9	50.5	51.0	49.0	96.9	99.5
Infrastructure	220.6	214.2			220.6	214.2
Paving			663.0	126.2	663.0	126.2
Reservoirs			27.9	28.5	27.9	28.5
Water mains, line, accessories			60.8	59.0	60.8	59.0
<b>Total</b>	<b>\$ 768.7</b>	<b>777.5</b>	<b>1,972.7</b>	<b>1,860.5</b>	<b>2,741.4</b>	<b>2,638.0</b>

This year's major capital asset additions included:

- \$ 16.8 million construction-in-progress (CIP) addition in governmental activities
- \$553.4 million in paving at the Airport (previously CIP)
- \$ 37.0 million land additions at the Airport

The net decrease in construction-in-progress in business-type activities is due to the completion of the new Runway W1-W at Lambert-St. Louis International Airport. Its cost is now included in Paving.

There were no major capital asset additions for the Water Division or the Parking Division.



For government-wide financial presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

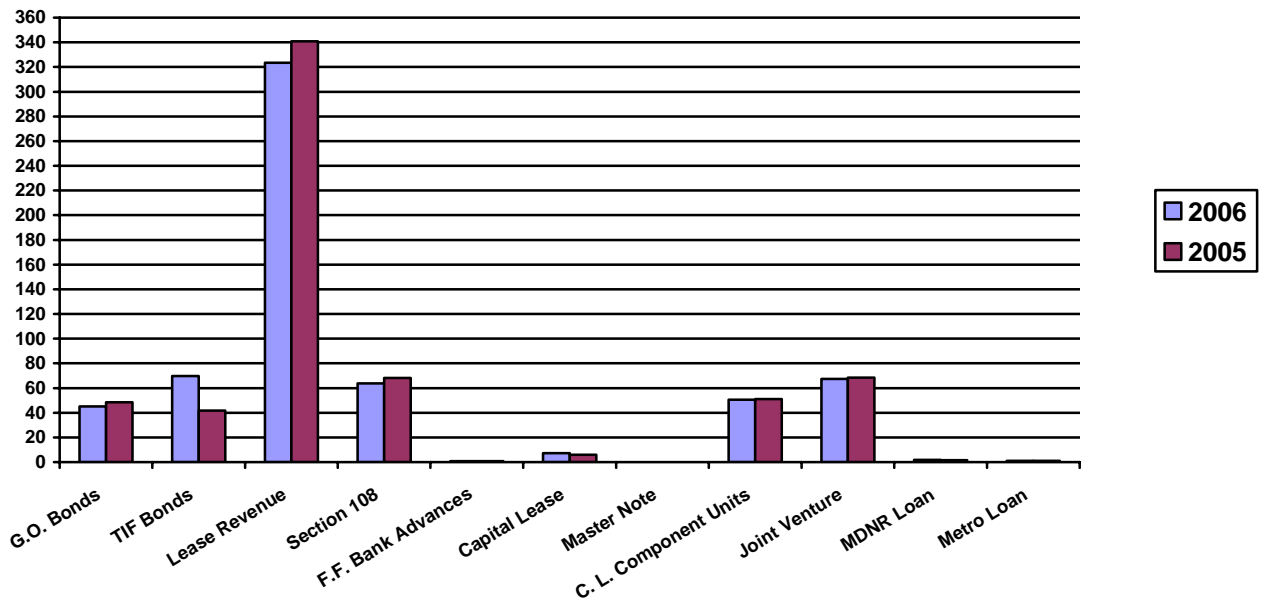
## Long-Term Debt

At the end of fiscal year 2006, the City had outstanding long-term debt obligations for governmental activities in the amount of \$631.0 million compared to \$628.0 million in fiscal year 2005. Of this amount, \$45.2 million are general obligation bonds and \$69.8 million are tax increment financing bonds. Lease revenue obligations outstanding totaled \$323.5 million.

**The City of St. Louis, Missouri**  
**Outstanding Long-term Debt Obligations-Governmental Activities**  
*(dollars in millions)*

	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2005</b>	<b>% Change</b>
General obligation bonds	\$ 45.2	48.5	(6.8)
Tax increment financing bonds	69.8	41.7	67.4
Lease revenue obligations	323.5	340.9	(5.1)
Section 108 loan guarantee assistance	63.7	68.2	(6.6)
Federal financing bank advances	0.7	0.8	(12.5)
Capital lease	7.2	6.0	20.0
Master note purchase agreement	0.1	0.1	(20.0)
Obligations under capital leases with component units	50.6	51.0	(0.8)
Joint venture financing agreement	67.3	68.3	(1.5)
Missouri Department of Natural Resources (MDNR) direct loan agreement	1.9	1.5	26.7
Metro loan agreement	1.0	1.0	0.0
<b>Total</b>	<b>\$ 631.0</b>	<b>628.0</b>	<b>0.5</b>

### Outstanding Long-Term Debt Obligations 2006 and 2005



State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2006 was \$388.3 million. The City's effective legal debt margin as of June 30, 2006 was \$350.3 million. For additional information on long-term debt, refer to the notes 13 to 16 to the basic financial statements.

The City's underlying general obligation credit ratings remained unchanged for fiscal year 2006. The City ratings on uninsured general obligation bonds as of June 30, 2006 were:

Moody's Investor's Service, Inc.	A3
Standard and Poor's Corporation	A-
Fitch IBCA, Inc. Ratings	A-

### The City of St. Louis, Missouri Outstanding Long-Term Debt Obligations-Business Type Activities (dollars in millions)

	Fiscal Year 2006	Fiscal Year 2005	\$ Change	% Change
Airport	\$ 861.1	894.7	(33.6)	(3.8)
Water Division	31.8	34.3	(2.5)	(7.3)
Parking Division	64.5	66.3	(1.8)	(2.7)
<b>Total</b>	<b>\$ 957.4</b>	<b>995.3</b>	<b>(37.9)</b>	<b>(3.8)</b>

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2006 and June 30, 2005 were \$957.4 and \$995.3 million. The amount reflects a decrease of \$37.9 million, or 3.8%. This amount includes Airport bonds of \$861.1 million, Water Division bonds of \$31.8 million, and Parking Division bonds of \$64.5 million. For additional information on revenue bonds of the business-type activities, refer to note 17 of the basic financial statements.

#### **Economic Factors and Next Year's Budget**

- The fiscal year 2007 annual operating budget allocates \$828.4 million among all budgeted funds.
- The fiscal year 2007 general fund budget is \$425.3 million compared to \$416.0 million in the prior year.
- Fiscal year 2007 budget includes an allowance for a mid-year 3% cost of living increase for employees.
- \$1.0 million in planned efficiency savings from an attrition reduction of management and administrative positions and resumption of a 26 pay day schedule after the occurrence of a cyclical 27<sup>th</sup> payday in fiscal year 2006.

#### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the Office of the Comptroller of the City of St. Louis, c/o Deputy Comptroller, City Hall, Room 311, Saint Louis, Missouri 63103.



**City of St. Louis, Missouri**  
**Statement of Net Assets**  
**June 30, 2006**  
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
<b>ASSETS</b>							
Cash and cash equivalents	\$ 25,089	11,373	36,462	12,879	1,511	31	1,085
Investments	87,144	10,483	97,627	—	3,123	—	685
Receivables, net	132,366	35,366	167,732	8,757	712	—	—
Inventories	—	3,920	3,920	—	1,337	—	—
Restricted assets	70,455	284,549	355,004	2,128	690	—	—
Deferred charges	7,747	23,638	31,385	—	61	—	—
Internal balances	8,648	(8,648)	—	—	—	—	—
Other assets	30	2,111	2,141	966	1,754	—	—
Receivable from primary government	—	—	—	2,188	1,219	—	—
Receivable from component unit	1,589	—	1,589	—	—	—	—
Net pension asset	2,990	—	2,990	—	—	—	—
Property held for development	—	—	—	6,345	—	—	—
Capital assets, net:							
Non-depreciable	139,009	951,281	1,090,290	4,914	1,646	—	—
Depreciable	629,644	1,021,383	1,651,027	11,611	28,112	—	5,391
Total assets	<u>1,104,711</u>	<u>2,335,456</u>	<u>3,440,167</u>	<u>49,788</u>	<u>40,165</u>	<u>31</u>	<u>7,161</u>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	18,631	23,735	42,366	1,534	542	31	—
Accrued salaries and other benefits	4,235	1,500	5,735	327	1,486	21	—
Accrued interest payable	30,211	23,852	54,063	—	—	—	—
Unearned revenue	358	5,759	6,117	—	231	—	—
Other liabilities	7,167	—	7,167	—	—	10	—
Commercial paper payable	—	1,000	1,000	—	—	—	—
Payable to primary government	—	—	—	308	1,281	—	—
Payable to component units	3,007	400	3,407	—	—	—	—
Long-term liabilities:							
Due within one year	65,484	26,750	92,234	3,399	12,055	—	—
Due in more than one year	670,323	967,032	1,637,355	23,978	65,899	—	—
Total liabilities	<u>799,416</u>	<u>1,050,028</u>	<u>1,849,444</u>	<u>29,546</u>	<u>81,494</u>	<u>62</u>	<u>—</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	402,317	1,120,715	1,523,032	3,750	26,630	—	5,391
Restricted:							
Debt service	35,377	98,594	133,971	2,128	690	—	—
Capital projects	35,037	7,813	42,850	—	—	—	—
Passenger facility charges	—	38,912	38,912	—	—	—	—
Statutory restrictions	38,505	—	38,505	—	—	—	—
Unrestricted (deficit)	(205,941)	19,394	(186,547)	14,364	(68,649)	(31)	1,770
Total net assets	<u>\$ 305,295</u>	<u>1,285,428</u>	<u>1,590,723</u>	<u>20,242</u>	<u>(41,329)</u>	<u>(31)</u>	<u>7,161</u>

See accompanying notes to basic financial statements.



City of St. Louis, Missouri  
Statement of Activities  
For the Year ended June 30, 2006  
(dollars in thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units					
					Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC	
<b>Primary Government:</b>												
Governmental activities:												
General government	\$ 93,572	37,617	645	—	(55,310)	—	—	(55,310)	—	—	—	—
Convention and tourism	4,594	20	—	—	(4,574)	—	—	(4,574)	—	—	—	—
Parks and recreation	25,366	2,248	129	—	(22,989)	—	—	(22,989)	—	—	—	—
Judicial	46,566	12,525	3,769	—	(30,272)	—	—	(30,272)	—	—	—	—
Streets	59,109	15,984	329	—	(42,796)	—	—	(42,796)	—	—	—	—
Public safety:												
Fire	54,625	6,562	803	—	(47,260)	—	—	(47,260)	—	—	—	—
Police— Payment to SLPD	134,631	—	—	—	(134,631)	—	—	(134,631)	—	—	—	—
Other	55,750	25,744	1,233	—	(28,773)	—	—	(28,773)	—	—	—	—
Health and welfare	46,070	511	22,228	—	(23,331)	—	—	(23,331)	—	—	—	—
Public service	67,544	5,301	8,837	13,760	(39,646)	—	—	(39,646)	—	—	—	—
Community development	66,286	—	42,241	—	(24,045)	—	—	(24,045)	—	—	—	—
Interest and fiscal charges	33,731	—	—	—	(33,731)	—	—	(33,731)	—	—	—	—
Total governmental activities	687,844	106,512	80,214	13,760	(487,358)	—	—	(487,358)	—	—	—	—
Business-type activities:												
Airport	156,824	149,169	6,673	38,239	—	37,257	—	37,257	—	—	—	—
Water Division	40,505	45,464	—	62	—	5,021	—	5,021	—	—	—	—
Parking Division	14,056	14,849	—	—	—	793	—	793	—	—	—	—
Total business-type activities	211,385	209,482	6,673	38,301	—	43,071	—	43,071	—	—	—	—
Total primary government	\$ 899,229	315,994	86,887	52,061	(487,358)	43,071	—	(444,287)	—	—	—	—
<b>Component Units:</b>												
SLDC	\$ 19,247	13,476	8,184	—	—	—	2,413	—	—	—	—	—
SLPD	145,555	2,770	5,922	1,522	—	—	—	(135,341)	—	—	—	—
HSTRC	18	8	—	—	—	—	—	—	(10)	—	—	—
SWMDC	394	463	—	77	—	—	—	—	—	—	146	146
Total component units	\$ 165,214	16,717	14,106	1,599	—	—	2,413	(135,341)	(10)	—	146	146
General revenues:												
Taxes:					\$							
Property taxes, levied for general purpose					53,536	—	—	—	—	—	—	—
Property taxes, levied for debt service					5,750	—	—	—	—	—	—	—
Sales taxes					121,449	—	—	—	—	—	—	—
Earnings/payroll taxes					170,934	—	—	—	—	—	—	—
Gross receipts taxes (includes franchise tax)					81,162	—	—	—	—	—	—	—
Miscellaneous taxes					2,684	—	—	—	—	—	—	—
Unrestricted investment earnings					9,492	11,794	308	21,286	183	1	32	—
Support provided by City of St. Louis, Missouri					—	—	—	—	134,631	12	—	—
On-behalf payment for pension contribution from the City of St. Louis, Missouri					—	—	—	—	8,093	—	—	—
Gain on sale of capital assets					6	—	—	6	—	—	—	—
Transfers					7,401	(7,401)	—	—	—	—	—	—
Total general revenues and transfers					452,414	4,393	308	456,807	142,907	13	32	32
Change in net assets					(34,944)	47,464	2,721	12,520	7,566	3	178	178
Net assets—beginning of year					340,239	1,237,964	17,521	1,578,203	(48,895)	(34)	6,983	6,983
Net assets—end of year					\$ 305,295	1,285,428	20,242	1,590,723	(41,329)	(31)	7,161	7,161

See accompanying notes to basic financial statements.

**City of St. Louis, Missouri**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**  
(dollars in thousands)

	<b>Major Funds</b>			<b>Nonmajor Funds</b>	
	<b>General Fund</b>	<b>Capital projects Fund</b>	<b>Grants Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents:					
Restricted	\$ 5,067	811	—	8,900	14,778
Unrestricted	2,634	4,473	—	17,332	24,439
Investments:					
Restricted	16,755	38,922	—	—	55,677
Unrestricted	24,915	23,562	9,411	29,256	87,144
Receivables, net of allowances					
Taxes	87,235	2,765	—	24,597	114,597
Licenses and permits	2,637	—	—	—	2,637
Intergovernmental	3,841	3,177	4,597	1,019	12,634
Charges for services	303	—	—	1,154	1,457
Notes and loans	—	—	—	90	90
Other	833	2	—	116	951
Due from component units	1,281	—	—	308	1,589
Due from other funds	19,264	—	—	1,021	20,285
Total assets	<u>\$ 164,765</u>	<u>73,712</u>	<u>14,008</u>	<u>83,793</u>	<u>336,278</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 4,926	6,885	5,697	696	18,204
Accrued salaries and other benefits	3,559	56	293	327	4,235
Due to component units	1,219	—	—	1,788	3,007
Due to other funds	515	5,241	8,080	699	14,535
Advance from other funds	12,700	—	—	—	12,700
Deferred revenue	55,870	1,240	—	14,210	71,320
Other liabilities	5,682	—	—	1,485	7,167
Total liabilities	<u>84,471</u>	<u>13,422</u>	<u>14,070</u>	<u>19,205</u>	<u>131,168</u>
Fund balances:					
Reserved:					
Encumbrances	1,604	32,457	—	6,496	40,557
Debt service	21,535	—	—	8,989	30,524
Capital projects	—	35,037	—	—	35,037
Unreserved, reported in:					
General fund	57,155	—	—	—	57,155
Special revenue funds	—	—	(62)	49,103	49,041
Capital projects fund	—	(7,204)	—	—	(7,204)
Total fund balances	<u>80,294</u>	<u>60,290</u>	<u>(62)</u>	<u>64,588</u>	<u>205,110</u>
Total liabilities and fund balances	<u>\$ 164,765</u>	<u>73,712</u>	<u>14,008</u>	<u>83,793</u>	<u>336,278</u>

See accompanying notes to basic financial statements.

**City of St. Louis, Missouri**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2006**  
**(dollars in thousands)**

Total fund balances—governmental funds—balance sheet	\$	205,110
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources, and therefore, are not reported in the fund financial statements.		768,584
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Various taxes related to fiscal year 2006 will be collected beyond the 60-day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements.		16,234
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Property taxes are assessed by the City on January 1st of each calendar year, but are not due until December 31st. Taxes assessed on January 1, 2006 and payable on December 31, 2006 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.		54,728
--	--	--------

Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds, generally on a cost reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets, net of amounts due from enterprise funds.		(1,099)
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The City reports a net pension asset on the statement of net assets to the extent contributions to the City's retirement plan exceeds the annual required contribution. This asset is not reported within the fund financial statements, as it is not available to liquidate current financial obligations.		2,990
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Bond issuance costs are reported in the governmental funds financial statements as expenditures when debt is issued, whereas the amounts are deferred and amortized over the life of the debt on the government-wide financial statements.		7,747
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported on the government-wide statement of net assets. Also, during the year the City issued new debt and refunded some of its existing debt. Discounts, premiums, bond issuance costs, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.

Balances as of June 30, 2006 are:

Accrued compensated absences		(25,843)
Net pension obligation		(62,711)
Accrued interest payable on bonds		(30,211)
Landfill closure liability		(228)
Capital lease		(57,801)
Bonds and notes payable		(573,191)
Unamortized discounts		739
Unamortized premiums		(12,859)
Unamortized deferred amounts on refunding		13,106

Total net assets—governmental activities—statement of net assets	\$	305,295
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See accompanying notes to basic financial statements.

**City of St. Louis, Missouri**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year ended June 30, 2006**  
(dollars in thousands)

	<b>Major Funds</b>			<b>Nonmajor Funds</b>	
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Grants Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 323,848	19,082	—	89,209	432,139
Licenses and permits	20,009	—	—	3,699	23,708
Intergovernmental	25,331	13,144	80,214	3,643	122,332
Charges for services, net	16,301	72	—	12,000	28,373
Court fines and forfeitures	7,893	—	—	1,034	8,927
Investment income	5,800	1,908	2	1,782	9,492
Interfund services provided	4,009	—	—	—	4,009
Miscellaneous	4,265	967	—	5,916	11,148
Total revenues	<u>407,456</u>	<u>35,173</u>	<u>80,216</u>	<u>117,283</u>	<u>640,128</u>
<b>EXPENDITURES</b>					
Current:					
General government	53,941	920	647	13,503	69,011
Convention and tourism	204	—	—	158	362
Parks and recreation	18,667	3,160	129	1,235	23,191
Judicial	40,427	—	3,769	2,641	46,837
Streets	27,930	7,644	329	1,512	37,415
Public Safety:					
Fire	53,119	—	803	37	53,959
Police	131,054	1,304	—	2,273	134,631
Other	46,641	—	1,233	7,930	55,804
Health and welfare	3,511	—	22,228	20,166	45,905
Public services	23,122	5,746	8,837	29,895	67,600
Community development	—	—	36,797	29,758	66,555
Capital outlay	—	35,290	—	—	35,290
Debt service:					
Principal	5,097	16,325	2,820	6,691	30,933
Interest and fiscal charges	11,828	9,141	2,624	5,263	28,856
Total expenditures	<u>415,541</u>	<u>79,530</u>	<u>80,216</u>	<u>121,062</u>	<u>696,349</u>
Excess (deficiency) of revenues over expenditures	<u>(8,085)</u>	<u>(44,357)</u>	<u>—</u>	<u>(3,779)</u>	<u>(56,221)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	—	514	—	—	514
Issuance of leasehold revenue bonds	—	15,485	—	—	15,485
Premium on leasehold revenue bonds	—	504	—	—	504
Issuance of capital lease	—	1,990	—	—	1,990
Issuance of tax increment revenue notes	—	—	—	30,043	30,043
Issuance of loan agreement	—	782	—	—	782
Payment to refunded bond escrow agent	—	(15,421)	—	—	(15,421)
Transfers in	18,536	9,840	—	1,533	29,909
Transfers out	(2,954)	—	—	(19,554)	(22,508)
Total other financing sources (uses), net	<u>15,582</u>	<u>13,694</u>	<u>—</u>	<u>12,022</u>	<u>41,298</u>
Net change in fund balances	<u>7,497</u>	<u>(30,663)</u>	<u>—</u>	<u>8,243</u>	<u>(14,923)</u>
Fund balances:					
Beginning of year	<u>72,797</u>	<u>90,953</u>	<u>(62)</u>	<u>56,345</u>	<u>220,033</u>
End of year	<u>\$ 80,294</u>	<u>60,290</u>	<u>(62)</u>	<u>64,588</u>	<u>205,110</u>

See accompanying notes to basic financial statements.

**City of St Louis, Missouri**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2006**  
**(dollars in thousands)**

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances	\$ (14,923)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets, meeting the capitalization threshold, is allocated over their estimated useful lives and recorded as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the statement of activities. This is the amount by which capital outlays and capital contributions, meeting the capitalization threshold, exceeded depreciation expense in the current year.	
	(8,914)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. These amounts represent the extent to which revenues not providing current financial resources in the current fiscal year exceeded revenues not providing current financial resources in the prior fiscal year (which are recognized in the fund financial statements in the current year). Such amounts are attributable to the following factors:	
Revenues received after the 60-day accrual period	7,467
Property taxes due in the fiscal year following the fiscal year in which they were assessed	(2,102)
	5,365
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The net income of internal service funds attributable to governmental activities is reported on the statement of activities.	
	16,249
The City reports a net pension asset or obligation on the statement of net assets to the extent actual contributions to the City's retirement plans exceed or fall below the annual required contribution. This asset or obligation is not reported in the fund financial statements. Fluctuations in net pension assets or obligations are reported in the statement of activities.	
	1,073
Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayments of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets.	
Debt issued during the current year:	
Series 2005 Justice Center Leasehold Revenue Refunding bonds	(15,485)
Loan agreement with Missouri Department of Natural Resources	(782)
Capital lease—rolling stock	(1,990)
Tax increment financing bonds and notes payable	(30,043)
Repayments during the current year:	
Advance refunding of Series 2000A Justice Center Leasehold Revenue Bonds	14,360
Annual principal payments on bonds and notes payable	29,755
Annual principal payments on capital leases	1,174
	(3,011)
Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.	
This adjustment combines the net changes of the following:	
Accrued compensated absences	(25,843)
Accrued interest payable on bonds	(5,437)
Landfill closure liability	15
Discounts on debt issuances, net of amortization	(50)
Premiums on debt issuances, net of amortization	932
Deferred bond issuance costs, net of amortization	(73)
Deferred advanced refunding differences on debt issuances, net of amortization	(327)
	(30,783)
Change in net assets—governmental activities—statement of activities	\$ (34,944)
See accompanying notes to basic financial statements.	

**City of St. Louis, Missouri**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2006**  
(dollars in thousands)

	<b>Major Funds—Enterprise Funds</b>				
	<b>Lambert— St. Louis International Airport</b>	<b>Water Division</b>	<b>Parking Division</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	\$ 61,548	3,545	7,190	72,283	—
Unrestricted cash and cash equivalents	5,945	2,085	3,343	11,373	650
Investments - unrestricted	—	6,645	3,838	10,483	—
Receivables, net of allowances:					
Intergovernmental	14,891	—	—	14,891	—
Charges for services	9,441	6,034	77	15,552	—
Passenger facility charges	4,247	—	—	4,247	—
Accrued interest	613	63	—	676	—
Prepaid assets	—	—	—	—	30
Due from other funds	—	—	—	—	3,938
Advance to other funds	—	—	—	—	12,700
Inventories	1,813	2,107	—	3,920	—
Other current assets	2,096	—	15	2,111	—
Total current assets	100,594	20,479	14,463	135,536	17,318
Noncurrent assets:					
Investments - restricted	193,102	13,405	5,759	212,266	—
Capital assets:					
Property, plant, and equipment	1,312,900	254,439	57,800	1,625,139	236
Less accumulated depreciation	(481,637)	(109,432)	(12,687)	(603,756)	(167)
	831,263	145,007	45,113	1,021,383	69
Land	860,588	1,238	21,260	883,086	—
Construction-in-progress	60,787	7,408	—	68,195	—
Capital assets, net	1,752,638	153,653	66,373	1,972,664	69
Deferred charges and other assets	20,460	489	2,689	23,638	—
Total noncurrent assets	1,966,200	167,547	74,821	2,208,568	69
Total assets	2,066,794	188,026	89,284	2,344,104	17,387
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	3,374	1,933	188	5,495	427
Accrued salaries and other benefits	1,027	369	104	1,500	—
Accrued vacation, compensatory, and sick time benefits	5,173	3,195	195	8,563	—
Contracts and retainage payable	18,240	—	—	18,240	—
Accrued interest payable	22,533	722	597	23,852	—
Current portion of revenue bonds	13,960	2,645	1,582	18,187	—
Commercial paper payable	1,000	—	—	1,000	—
Due to other funds	3,236	2,725	1,428	7,389	2,299
Due to component unit	—	—	400	400	—
Claims payable	—	—	—	—	17,019
Deferred revenue	2,274	1,414	2,071	5,759	—
Total current liabilities	70,817	13,003	6,565	90,385	19,745
Noncurrent liabilities:					
Revenue bonds payable, net	862,894	28,058	60,579	951,531	—
Deposits held for others	—	1,904	—	1,904	—
Other liabilities	7,894	4,413	1,290	13,597	—
Total noncurrent liabilities	870,788	34,375	61,869	967,032	—
Total liabilities	941,605	47,378	68,434	1,057,417	19,745
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	991,086	123,168	6,461	1,120,715	69
Restricted:					
Debt service	78,414	7,231	12,949	98,594	—
Capital projects	—	7,813	—	7,813	—
Passenger facility charges	38,912	—	—	38,912	—
Unrestricted (deficit)	16,777	2,436	1,440	20,653	(2,427)
Total net assets	\$ 1,125,189	140,648	20,850	1,286,687	(2,358)
Amounts reported for business-type activities in the government-wide statement of net assets are different because:					
Certain internal service fund activities are included within business-type activities				(1,259)	
Net assets of business-type activities—government-wide statement of net assets				\$ 1,285,428	
See accompanying notes to basic financial statements.					

**City of St. Louis, Missouri**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year ended June 30, 2006**  
**(dollars in thousands)**

	<b>Major Funds—Enterprise Funds</b>				
	<b>Lambert— St. Louis International Airport</b>	<b>Water Division</b>	<b>Parking Division</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>					
Aviation revenues	\$ 74,463	—	—	74,463	—
Concessions	21,606	—	—	21,606	—
Water sales	—	41,949	—	41,949	—
Lease revenue	6,543	—	—	6,543	—
Parking	13,123	—	14,654	27,777	—
Charges for services	—	—	—	—	33,869
Miscellaneous	—	3,011	—	3,011	—
Total operating revenues	115,735	44,960	14,654	175,349	33,869
<b>OPERATING EXPENSES</b>					
Claims incurred	—	—	—	—	13,919
Premiums	—	—	—	—	3,204
Personal services	37,899	14,887	6,005	58,791	227
Material and supplies	4,392	7,636	243	12,271	19
Purchased power	—	2,517	—	2,517	—
Contractual services	32,848	4,173	1,299	38,320	—
Miscellaneous	—	2,927	484	3,411	—
Depreciation and amortization	31,025	4,503	2,254	37,782	13
Interfund services used	1,694	2,265	50	4,009	—
Total operating expenses	107,858	38,908	10,335	157,101	17,382
Operating income	7,877	6,052	4,319	18,248	16,487
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental revenue	6,673	—	—	6,673	—
Investment income	10,302	802	690	11,794	—
Interest expense	(39,594)	(1,655)	(3,634)	(44,883)	—
Passenger facility charges	33,434	—	—	33,434	—
Amortization of bond issue costs	(872)	(55)	—	(927)	—
Loss on disposal of capital assets	—	(11)	(99)	(110)	—
Miscellaneous, net	(210)	504	195	489	—
Total nonoperating revenues (expenses), net	9,733	(415)	(2,848)	6,470	—
Income before transfers, contributions and other	17,610	5,637	1,471	24,718	16,487
Transfers in	—	—	1,092	1,092	—
Transfers out	(5,407)	(2,561)	(525)	(8,493)	—
Capital contributions	38,239	62	—	38,301	—
Impairment of capital assets	(8,392)	—	—	(8,392)	—
Change in net assets	42,050	3,138	2,038	47,226	16,487
Total net assets—beginning of year	1,083,139	137,510	18,812		(18,845)
Total net assets—end of year	\$ 1,125,189	140,648	20,850		(2,358)

Change in net assets reported for business-type activities in the government-wide statement of activities are different because:

Certain internal service fund activities are included within business-type activities	238
Change in net assets of business-type activities—government-wide statement of activities	\$ 47,464

See accompanying notes to basic financial statements.

**City of St. Louis, Missouri**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year ended June 30, 2006**  
**(dollars in thousands)**

	<b>Major Funds—Enterprise Funds</b>				
	<b>Lambert— St. Louis International Airport</b>	<b>Water Division</b>	<b>Parking Division</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 110,657	43,972	14,252	168,881	21,093
Other operating cash receipts	141	—	341	482	—
Payments to suppliers of goods and services	(38,013)	(16,298)	(2,022)	(56,333)	(20,520)
Payments to employees	(35,343)	(14,165)	(5,792)	(55,300)	(227)
Payments for interfund services used	(2,617)	(2,768)	—	(5,385)	—
Net cash provided by operating activities	<u>34,825</u>	<u>10,741</u>	<u>6,779</u>	<u>52,345</u>	<u>346</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	—	—	1,092	1,092	—
Transfers to other funds	(5,407)	(2,534)	(525)	(8,466)	—
Net cash provided by (used in) noncapital financing activities	<u>(5,407)</u>	<u>(2,534)</u>	<u>567</u>	<u>(7,374)</u>	<u>—</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Cash collections from passenger facility charges	29,187	—	—	29,187	—
Receipts from federal financing assistance	33,478	—	—	33,478	—
Acquisition and construction of capital assets	(157,205)	(5,417)	(575)	(163,197)	(31)
Proceeds from issuance of refunding bonds	303,217	—	—	303,217	—
Proceeds from issuance of commercial paper	4,000	—	—	4,000	—
Principal paid on commercial paper	(4,000)	—	—	(4,000)	—
Cash paid for bond issuance costs	(8,080)	—	—	(8,080)	—
Principal paid on revenue bond maturities	(23,390)	(2,500)	(1,727)	(27,617)	—
Cash paid for bond refunding	(296,007)	—	—	(296,007)	—
Cash paid for interest	(44,716)	(1,467)	(3,491)	(49,674)	—
Other capital and financing activities	—	372	208	580	—
Net cash used in capital and related financing activities	<u>(163,516)</u>	<u>(9,012)</u>	<u>(5,585)</u>	<u>(178,113)</u>	<u>(31)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	(1,725,091)	(138,118)	(28,429)	(1,891,638)	—
Proceeds from sales and maturities of investments	1,811,270	137,578	27,046	1,975,894	—
Investment income	11,028	787	692	12,507	—
Net cash provided by (used in) investing activities	<u>97,207</u>	<u>247</u>	<u>(691)</u>	<u>96,763</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	<u>(36,891)</u>	<u>(558)</u>	<u>1,070</u>	<u>(36,379)</u>	<u>315</u>
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	8,162	2,396	7,290	17,848	335
Restricted	96,222	3,792	2,173	102,187	—
	<u>104,384</u>	<u>6,188</u>	<u>9,463</u>	<u>120,035</u>	<u>335</u>
End of year:					
Unrestricted	5,945	2,085	3,343	11,373	650
Restricted	61,548	3,545	7,190	72,283	—
	<u>\$ 67,493</u>	<u>5,630</u>	<u>10,533</u>	<u>83,656</u>	<u>650</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 7,877	6,052	4,319	18,248	16,487
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	31,025	4,503	2,254	37,782	13
Changes in assets and liabilities:					
Receivables, net	(6,332)	(632)	—	(6,964)	—
Inventories	101	(138)	—	(37)	—
Other assets, net	(96)	—	(280)	(376)	16
Accounts payable and accrued liabilities	(579)	(162)	23	(718)	(39)
Accrued salaries and other benefits	(19)	(269)	(143)	(431)	—
Claims payable	—	—	—	—	(385)
Deferred revenue	1,550	12	(61)	1,501	—
Due to/from other funds	58	151	311	520	(3,042)
Advance to other funds	—	—	—	—	(12,700)
Deposits held for others	—	286	—	286	—
Other long term liabilities	1,240	938	356	2,534	(4)
Total adjustments	<u>26,948</u>	<u>4,689</u>	<u>2,460</u>	<u>34,097</u>	<u>(16,141)</u>
Net cash provided by operating activities	<u>\$ 34,825</u>	<u>10,741</u>	<u>6,779</u>	<u>52,345</u>	<u>346</u>

Supplemental disclosure for noncash financing activities

During the year ended June 30, 2006, the Airport recorded an impairment of capital assets of \$8,392, which was recorded as a reduction to the carrying value of capital assets

See accompanying notes to basic financial statements.



**City of St. Louis, Missouri**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**  
**(dollars in thousands)**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents—unrestricted	\$ 8,996	36,867
Investments—unrestricted	—	9,765
Pension trust investments—unrestricted:		
U. S. government securities	119,887	—
Corporate bonds	66,516	—
Domestic bond funds	40,045	—
Stocks	660,098	—
Foreign government obligations	15,783	—
Mortgage-backed securities	98,880	—
Collective investment funds	401,238	—
Real estate group annuity and equities	75,230	—
Investment property	1,854	—
Money market mutual funds and other short term investments	36,934	—
Managed international equity funds	118,323	—
Total investments	1,634,788	—
Securities lending collateral	39,130	—
Receivables, net of allowances:		
Taxes	—	25,202
Contributions	4,190	—
Accrued interest	3,480	—
Other	9,155	923
Capital assets	467	—
Total assets	1,700,206	72,757
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,758	947
Deposits held for others	1,116	36,536
Due to other governmental agencies	—	35,274
Securities lending collateral liability	39,130	—
Other liabilities	24,822	—
Total liabilities	66,826	72,757
<b>NET ASSETS</b>		
Net assets held in trust for pension benefits	\$ 1,633,380	—

See accompanying notes to basic financial statements.

**City of St. Louis, Missouri**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the year ended June 30, 2006**  
**(dollars in thousands)**

	<u><b>Pension Trust Funds</b></u>
<b>ADDITIONS</b>	
Contributions:	
Members	\$ 6,642
Employers	28,262
Investment income:	
Interest and dividends	28,451
Net appreciation in fair value of investments	169,211
	<u>197,662</u>
Less investment expense	<u>(6,242)</u>
Net investment income	<u>191,420</u>
Total additions	<u>226,324</u>
<b>DEDUCTIONS</b>	
Benefits	98,157
Refunds of contributions	13,613
Administrative expense	2,454
Total deductions	<u>114,224</u>
Net increase	<u>112,100</u>
Net assets held in trust for pension benefits:	
Beginning of year	<u>1,521,280</u>
End of year	\$ <u><u>1,633,380</u></u>

See accompanying notes to basic financial statements.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
June 30, 2006  
(dollars in thousands)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Louis, Missouri (the City) is a constitutional charter City not a part of any county, which is organized and exists under and pursuant to the constitution and laws of the State of Missouri (the State). The City's current form of government is provided for in its charter, which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire and other public safety; parks and recreation; forestry; health, welfare, and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

The accounting policies and financial reporting practices of the City conform to U.S. generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant policies:

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The City's financial reporting entity consists of the City of St. Louis (the primary government) and its component units.

1) Blended Component Units

The component units discussed below are included in the City's reporting entity due to the significance of their operational or financial relationships with the City.

Public Facilities Protection Corporation (PFPC)

The PFPC is an internal service fund governed by a five-member board of persons in designated City positions. The PFPC is reported as if it were part of the primary government because its sole purpose is to provide the City with a defined and funded self-insurance program for claims, judgments, and other related legal matters including workers' compensation.

St. Louis Municipal Finance Corporation (SLMFC)

The SLMFC, established in 1991, is governed by a five-member board, consisting of persons in designated City positions. The SLMFC is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvement thereon, and personal property to the City.

St. Louis Municipal Finance Corporation (SLMFC—II)

The SLMFC—II, established in 1993, is governed by a five-member board of persons in designated City positions. The SLMFC—II is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvements thereon, and personal property to the City.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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On November 1, 2005, the Secretary of State for the State of Missouri issued a Certificate of Termination for the SLMFC—II to the City upon the City's execution of Articles of Termination. This Certificate of Termination administratively dissolved the SLMFC—II on that date.

St. Louis Parking Commission Finance Corporation (SLPCFC)

The SLPCFC, established in 2003, is governed by a five-member board as appointed by the Parking Commission. The SLPCFC finances the purchase of and owns, leases and sells certain real property on behalf of the Parking Commission. SLPCFC is considered to be a component unit of the City because the Parking Division of the City of St. Louis (the Parking Division) is financially accountable for SLPCFC, as it appoints all of SLPCFC's directors and is able to impose its will on SLPCFC. The SLPCFC provides services entirely to the Parking Division and is reported as if it were part of the Parking Division because its sole purpose is to lessen the burden on the Parking Division by coordinating real property transactions.

2) Discretely Presented Component Units

The component unit columns in the statement of net assets and statement of activities include the financial data of the City's four discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activity of the City. SLDC combined the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority (LCRA), the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City because the City is financially accountable for SLDC, as SLDC is fiscally dependent upon the City. SLDC is considered to be fiscally dependent on the City because SLDC may not legally issue bonded debt or implement a budget for its redevelopment activities until the City's Board of Alderman has approved the redevelopment project and declared the redevelopment area blighted.

The Metropolitan Police Department of the City of St. Louis, Missouri (SLPD)

The SLPD, established by state statute, is administered by a five-member board of commissioners, the mayor, and four members appointed by the governor. The City is obligated to provide a minimum level of funding for the operations of the SLPD. SLPD's operating budget is prepared and submitted to the City for approval. SLPD has no authority to levy a tax or issue debt in its name, and therefore, is fiscally dependent on the City for substantially all of its funding.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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Harry S. Truman Restorative Center. City Counselor, Receiver (HSTRC)

The HSTRC was a 220-bed skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building. Under court-ordered receivership, the City has administrative responsibility for HSTRC and appoints a voting majority of HSTRC's advisory board. This advisory board consists of one representative from each of the offices of the mayor, comptroller, president of the board of aldermen, and the city counselor (the Receiver), as well as two executive employees of HSTRC. The City is able to impose its will on HSTRC.

The dissolution of HSTRC and plan of liquidation was announced on March 13, 2003. HSTRC continued operations until the last resident was discharged on May 9, 2003. Activities relating to the operations of HSTRC ceased on May 31, 2003. The accompanying financial statements of HSTRC were therefore valued on a liquidation basis and are as of May 31, 2006. Separate financial statements are not prepared for HSTRC.

Solid Waste Management and Development Corporation (SWMDC)

The SWMDC owns a system of underground pressurized steam transport pipe in the downtown St. Louis area commonly known as the "steam loop." The steam loop is leased on a long-term basis to a steam-generating private entity unrelated to the City. The steam loop serves City Hall and other municipal buildings, and is the only non-private source of steam in downtown St. Louis. The City appoints a voting majority of SWMDC's board of directors. The board of directors consists of representatives of the president of the Board of Public Service (Chairperson), deputy mayor/chief of staff, and director of the Street Department. Separate financial statements are not prepared for SWMDC. SWMDC is directed by employees of the City, and therefore, the City is able to impose its will on SWMDC.

Complete financial statements of the discretely presented component units other than HSTRC and SWMDC may be obtained from their administrative offices as follows:

St. Louis Development Corporation  
1015 Locust Street  
St. Louis, Missouri 63101

The Metropolitan Police Department of the City  
of St. Louis, Missouri  
1200 Clark Avenue  
St. Louis, Missouri 63103

3) Related Organizations

The City's officials are also responsible for appointing the voting majority of board members for other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. Thus, no financial data for these organizations are included in the City's basic financial statements. These related organizations include the Mental Health Board, the St. Louis Housing Authority, the St. Louis Office for Mental Retardation & Developmental Disability Resources, and the St. Louis Public Library.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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4) Joint Venture

St. Louis Regional Convention and Sports Complex Authority (Authority)

The Authority, established in 1990 as a separate legal entity by an Act of the Missouri State legislature, is governed by an 11-member board of commissioners. The mayor of the City and the county executive of St. Louis County, Missouri (the County) each appoint three members and the governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, the County, and the State because the three governments have entered into a contractual agreement with the Authority to sponsor the issuance of convention facility bonds, to repay the facility bonds through rental payments to the Authority, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility of the City. The Authority is subject to joint control of the City, the County, and the State. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 901 North Broadway, St. Louis, Missouri 63101.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has determined that the general fund, the capital projects fund, and the grants fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements. The City has three enterprise funds (business-type activities): Lambert-St. Louis International Airport (the Airport), the Water Division of the City of St. Louis (the Water Division), and the Parking Division. Each of these enterprise funds is a major fund within the fund financial statements. Additionally, the City has three internal service funds (governmental activities): PFPC, mailroom services, and health. All internal service fund activity is

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds.

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

1) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

*General Fund*—The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

*Capital Projects Fund*—The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. This fund accounts for acquisition or construction of capital improvements, renovations, remodeling, and replacement for the City's major capital projects.

*Grants Fund*—The grants fund is a special revenue fund that is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The grants fund accounts for the majority of the City's federal grant programs received from the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Labor, U.S. Department of Transportation, and various other federal agencies.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, and a debt service fund, which accounts for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest, and related costs.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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2) Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance.

The following are the City's proprietary fund types:

*Enterprise*—Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Airport, the Water Division, and the Parking Division. The Airport is used to account for the activities of the Airport. The principal services provided are financed primarily through landing fees and terminal concession revenues. The Water Division is used to account for sale of water to the general public and the operation of the water delivery system. The Parking Division is used to account for the operation of public parking facilities and parking meters. Each of the enterprise funds is a major fund in the fund financial statements.

*Internal Service*—Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. An internal service fund has been established for PFPC, mailroom services, and health. The PFPC fund is used to account for payment of workers' compensation and various other claims against legal actions on behalf of other funds. The mailroom services fund is used to account for mail-handling services provided to other funds. The health fund is used to account for payment of health insurance claims for participants.

In the government-wide and proprietary fund financial statements, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

3) Fiduciary Fund Types

*Trust and Agency*—Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. The pension trust funds account for the Firemen's Retirement System of St. Louis, Police Retirement System of St. Louis, and the Employees' Retirement System of the City of St. Louis pension benefits. Agency funds are accounted for



**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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using the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, circuit clerk, and other agency operations.

c. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund, pension trust fund, and discretely presented component unit financial statements. Agency funds adhere to the accrual basis of accounting, and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental fund types, and the accrual basis of accounting for the proprietary fund types, pension trust funds, and agency funds.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term “available” is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within 60 days of fiscal year-end, except for government grants, which is within 120 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (that is, matured).

GASB Statement No. 33 groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as city earnings and payroll taxes, sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated

**City of St. Louis, Missouri**  
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uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include permits, court fines, and forfeitures.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting used by the proprietary fund types and pension trust funds, revenues are recognized when earned and expenses are recognized when incurred. Unbilled service revenues are accrued by the Airport and the Water Division based on estimated billings for services provided through the end of the current fiscal year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are revenues from airlines, concessions, and parking. Transactions that are capital-, financing-, or investing-related are reported as nonoperating revenues. The principal operating revenues of the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds are charges to customers for sales and services. All expenses related to operating the Airport enterprise fund are reported as operating expenses. Interest expense, financing costs, and miscellaneous expenses are reported as nonoperating expenses. Operating expenses for the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which the contributions are due and benefits are recognized when they become due and payable.

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied in November 2005 was \$1.4402 per \$100 (in dollars) of assessed valuation of which \$1.3074 (in dollars) is for the general fund and \$0.1328 (in dollars) is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

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e. Cash and Investments

The City treasurer maintains a cash and investment pool that is available for use by all funds including certain component units, except pension trust funds. In accordance with the City's budget ordinance the majority of investment income is considered earned by the general fund except for earnings otherwise legally restricted for a specific purpose. Income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by other City officials, several of the City's departments and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

f. Inventories

Purchase of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. For the enterprise fund type, inventories are recorded at cost using a method that approximates the first-in, first-out method or the moving average cost method, and the expense is recognized when inventories are consumed in operations.

g. Capital Assets

1) Governmental Activities Capital Assets

Capital assets, which include buildings, improvements, equipment, and infrastructure assets (for example, roads, bridges, docks, promenade, traffic signals, and similar items), are reported in the governmental activities column in the government-wide financial statements, net of accumulated depreciation. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with an initial, individual cost of \$5 or more, infrastructure with a cost of \$500 or more, building improvements with a cost of \$100 or more, and all land, land improvements, and buildings.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network and other infrastructure assets that were acquired or that received substantial improvements subsequent to June 30, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

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The City has determined that all works of art and historical treasures other than the City's statues, monuments, and fountains meet the definition of a collection, and accordingly, has not capitalized these assets. A collection is defined as:

- Held for public exhibition and education
- Protected, cared for, and preserved
- Subject to an organizational policy that requires the proceeds from the sale to be used to acquire other items for the collection

The City has adopted a policy related to the sale of these assets, stating that the proceeds from the sale of any City-owned collections, in part or in its entirety, will be used for the acquisition of collection items.

All City-owned statues, monuments, and fountains are capitalized at their historic cost based upon original acquisition, construction documents, or estimates of original costs. Because of the nature of these assets and the manner in which the City maintains its historic treasures, these assets are considered inexhaustible, and therefore, are not subject to depreciation.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets, except for roads, which is computed using the composite method. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings	40 to 99
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

City management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred. Such events or changes in circumstances that were considered by the City management to be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

2) Business-type Activities Capital Assets

Capital assets for the Airport, the Water Division, the Parking Division, and the mailroom are reported in the business-type activities column in the government-wide financial statements, net of accumulated depreciation.

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3) Airport

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition, and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Pavings	18 to 25
Buildings and facilities	20 to 30
Equipment	2 to 20

4) Water Division

Capital assets were originally recorded in the accounts in 1958 and were based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated depreciation at the date the assets were recorded was established after a review by a consulting firm.

Additions to capital assets subsequent to 1958 are recorded at historical cost. Provisions for depreciation of capital assets are computed on a straight-line basis over the estimated useful lives of the assets and are charged to operating expenses. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and structures	44 to 55
Reservoirs	44 to 55
Boiler plant equipment	44 to 55
Pumping equipment	28 to 44
Purification basins and equipment	50 to 100
Water mains, lines, and accessories	50 to 100
Equipment	5 to 25
Motor vehicle equipment	5

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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5) Parking Division

Capital assets are recorded at historical cost, including applicable interest incurred during the construction period. Donated capital assets are recorded at estimated fair market value at the date of donation. The contributions are reflected as capital contributions. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and parking garages	10 to 40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

6) Mailroom

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful life of equipment, other than computer equipment, is 10 years. The estimated useful life of computer equipment is five years.

7) Component Unit—SLDC

SLDC's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost. Historically, SLDC maintained infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair market value on the date donated. SLDC generally capitalizes assets with costs of \$2,500 (not in thousands) or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	<u>Years</u>
Buildings and structures	40
Improvements other than buildings (includes infrastructure)	3 to 15
Furniture, fixtures, and equipment	3 to 10

8) Component Unit—SLPD

Capital assets are capitalized at cost or estimated historical cost. Donated capital assets are valued at estimated fair market value as of the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets over the capitalization levels are depreciated. SLPD's capitalization threshold is \$5.

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Depreciation is computed using the straight-line method (with the 1/2-year convention election applied in the first and last year) over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	50 to 100
Furniture and fixtures and other	
Equipment	5
Automotive equipment	3
Communication equipment	5
Computer and software	3
Aircraft	6

9) Component Unit—SWMDC

Capital assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives to the depreciable capital assets. The estimated useful lives of infrastructure is 30 to 40 years.

h. Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets/statement of fund net assets.

i. Passenger Facility Charges (PFCs)

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$0.11 (in dollars) per ticket operating fee retained by the airlines. PFCs represent an exchange-like transaction and are recognized as nonoperating revenue based upon passenger enplanements.

j. Capital Contributions

Capital contributions to the proprietary fund type represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments by the proprietary fund type, which are not restricted for capital purposes, are reflected as nonoperating intergovernmental revenue.

k. Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental activities or governmental fund types.

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Notes to Basic Financial Statements, Continued  
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l. Amortization

In government-wide financial statements and the proprietary fund types in the fund financial statements, bond discounts are recorded as a reduction of the debt obligation, bond premiums are recorded as an addition to the debt obligation, and bond issuance costs are recorded as a deferred charge. Such amounts are amortized using the interest method or bonds-outstanding method over the term of the related revenue bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the bonds-outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The entire accrued benefit liability related to the City's compensated absences has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2006.

Non-uniformed employees retiring after June 30, 2001 who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the government-wide financial statements and the proprietary funds in the fund financial statements representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years.

Component Unit—SLPD

Banked overtime is granted to certain employees for hours worked in excess of their normal workday that are not taken within the current bi-weekly pay period. Banked overtime is allowed to accumulate up to 40 hours and will be paid to employees upon resignation, retirement, or death.

Vacation is granted to all full-time employees based on years of continuous service.

Both commissioned and civilian employees accumulate sick leave hours and will be paid a minimum of 25% of their unused sick leave upon termination of employment. The liability for accrued sick leave pay has been calculated using the vesting method. Commissioned and civilian employees retiring from SLPD with 1600+ hours of sick leave accrued and 20+ years of service will be paid 25% of their unused sick leave plus one additional month's salary. Commissioned



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employees retiring from SLPD with 2200+ hours of sick leave accrued and 30+ years of service will be paid 50% of their unused sick leave. Civilian employees retiring from SLPD with 2200+ hours of sick leave accrued and 85 points (years of service plus age) or age 65 will be paid 50% of their unused sick leave.

n. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, \$40,019 will remain in force and will be liquidated under the current year's budget and \$538 will automatically be re-appropriated and re-encumbered as part of subsequent year budgets.

o. Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

1) Transfers

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

2) Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the City.

Within the accompanying activity from the statement of activities, interfund services provided and used are not eliminated from the various functional categories. Transfers are eliminated from the various functional categories.

Certain internal payments are treated as program revenues, such as internal services provided and used. Certain internal payments are treated as a reduction of expense, such as reimbursements.

p. Reserved Fund Balance

Within the governmental fund financial statements, reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, reserved fund balances at June 30, 2006 are comprised of the following:

1) General Fund

Cash and investments with trustees to be used for debt service related to the Kiel Site Project, the Argyle and Kiel parking garages, Civil Courts, Justice Center, Carnahan Courthouse, and Firemen's System Revenue Bonds.

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2) Capital Projects Fund

Cash and investments with trustees to be used for debt service and construction related to the Forest Park Redevelopment, Justice Center Construction and Carnahan Courthouse construction. Reserved fund balance also includes proceeds of capital improvement sales tax restricted for construction.

3) Other Governmental Funds

Cash and investments with a trustee to be used for debt service of tax increment financing bonds and notes payables and other bond principal payments, use tax funding for affordable housing, health and building demolition, transportation sales tax, sewer lateral repair program funds and gaming revenue.

q. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

1) Invested in Capital Assets, Net of Related Debt

This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or those assets.

2) Restricted

This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net assets restricted by statutory restrictions represent tax and other revenue sources that are required by statute to be expended only for a specific purpose or purposes.

3) Unrestricted

This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

r. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

s. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

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t. Individual Fund Deficit

At June 30, 2006, the grants fund has a deficit fund balance of \$(62). This amount will be offset by future commissions. The mail room services internal service fund and the health internal service fund have deficit net assets of \$(84) and \$(2,274), respectively. These accumulated deficits will be offset by charges for services to other funds in future years.

2. DEPOSITS AND INVESTMENTS

a. Primary Government

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2006:

	<b>Cash and Cash Equivalents</b>	<b>Investments</b>	<b>Restricted Assets</b>	<b>Total</b>
Government-wide statement of net assets	\$ 36,462	97,627	355,004	489,093
Fiduciary statement of fiduciary net assets—agency funds	<u>36,867</u>	<u>9,765</u>	<u>—</u>	<u>46,632</u>
Total primary government excluding pension trust funds	<u>73,329</u>	<u>107,392</u>	<u>355,004</u>	<u>535,725</u>
Fiduciary statement of fiduciary net assets—pension trust funds:				
Firemen's System	3,659	409,333	—	412,992
Police System	5,180	698,918	—	704,098
Employees' System	<u>157</u>	<u>526,537</u>	<u>—</u>	<u>526,694</u>
Total pension trust funds	<u>8,996</u>	<u>1,634,788</u>	<u>—</u>	<u>1,643,784</u>
Total primary government	<u>\$ 82,325</u>	<u>1,742,180</u>	<u>355,004</u>	<u>2,179,509</u>

As the investment strategies and associated risks for the Firemen's Retirement System of St. Louis (Firemen's System), Police Retirement System of St. Louis (Police System), and Employees' Retirement System of the City of St. Louis (Employees' System) are substantially different than those of the remainder of the primary government, the deposit and investment disclosures for the Firemen's System, Police System, and Employees' System are presented separately from those of the remainder of the primary government.

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Notes to Basic Financial Statements, Continued  
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1) Primary Government Excluding Pension Trust Funds

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end, as reported by the respective investment custodian.

Certificates of deposit are defined as investments for statement of net assets/balance sheet/statement of fund net assets classification and cash flow purposes; for custodial risk disclosure, however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

As of June 30, 2006, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	\$ 59,063
Federal Home Loan Mortgage Corp.	180,845
Federal Farm Credit Discount Note	6,717
Federal Home Loan Bank	49,290
United States Treasuries	26,135
Government Backed Trusts	927
Guaranteed Investment Contract	10,987
Commercial Paper	7,722
Money Market Mutual Funds	40,972
Certificates of Deposit	33,091
Other Cash Deposits	119,976
	<u>\$ 535,725</u>

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments may be made in obligations of the United States Government or any agency or instrumentality thereof; bonds of the State, the City, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit; provided, however, that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of the United States Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name.

Additionally, the City's indentures with its bond trustees also permit City bond proceeds to be invested in commercial paper having an original maturity of 270 days or less and rated "A-1" or better by Standard & Poor's Corporation and "P-1" by Moody's Investors Service, money market funds rated "AAAM" or "AAAM-G" by Standard & Poor's Corporation, and other obligations fully and unconditionally guaranteed by the U.S. government. These investments, while permitted by the indentures with the bond

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trustees, are not permitted by the Investment Policy for the City of St. Louis, Missouri (Investment Policy).

**Interest Rate Risk**

The City seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri (Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

The investments of the primary government (excluding the pension trust funds) had the following maturities on June 30, 2006:

	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Federal National					
Mortgage Association	\$ 59,063	53,510	—	3,369	2,184
Federal Home Loan					
Mortgage Corp.	180,845	180,109	—	—	736
Federal Farm Credit					
Discount Note	6,717	6,717	—	—	—
Federal Home Loan Bank	49,290	49,290	—	—	—
United States Treasuries	26,135	25,810	—	—	325
Government Backed					
Trusts	927	—	—	927	—
Guaranteed Investment					
Contract	10,987	—	—	—	10,987
Commercial Paper	7,722	7,722	—	—	—
	<u>\$ 341,686</u>	<u>323,158</u>	<u>—</u>	<u>4,296</u>	<u>14,232</u>

**Credit Risk**

The Investment Policy provides that investments of the City be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

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The investments of the primary government (excluding the pension trust funds) were rated as follows by Standard & Poor's Corporation as of June 30, 2006:

	<b>Fair Value</b>	<b>AAA</b>	<b>AA-</b>	<b>A-1+</b>	<b>A-1</b>	<b>Not Rated</b>
Federal National						
Mortgage Association	\$ 59,063	54,494	—	4,569	—	—
Federal Home Loan						
Mortgage Corp.	180,845	128,701	736	51,408	—	—
Federal Farm Credit						
Discount Note	6,717	6,717	—	—	—	—
Federal Home Loan Bank	49,290	11,746	—	37,544	—	—
United States Treasuries	26,135	—	—	—	—	26,135
Government Backed						
Trusts	927	927	—	—	—	—
Guaranteed Investment						
Contract	10,987	—	—	—	—	10,987
Commercial Paper	7,722	—	—	—	7,722	—
	<u>\$ 341,686</u>	<u>202,585</u>	<u>736</u>	<u>93,521</u>	<u>7,722</u>	<u>37,122</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2006, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: \$18,341 of Federal National Mortgage Association securities, \$9,520 of Federal Home Loan Mortgage Corporation securities, \$2,225 of Federal Home Loan Bank securities, \$6,548 of U.S. Treasury securities, and the \$10,987 guaranteed investment contract. All remaining City investments and collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

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Concentration of Credit Risk

The Investment Policy provides that, with the exception of U.S. Treasury Securities, no more than 35% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

At June 30, 2006, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	11.03 %
Federal Home Loan Mortgage Corp.	33.79
Federal Farm Credit Discount Note	1.25
Federal Home Loan Bank	9.21
United States Treasuries	4.88
Government Backed Trusts	0.17
Guaranteed Investment Contract	2.05
Commercial Paper	1.44
Money Market Mutual Funds	7.65
Certificates of Deposit	6.18
Other Cash Deposits	22.35
	<u>100.00</u>

2) Primary Government—Pension Trust Fund—Firemen's System

As of September 30, 2005, the Firemen's System had the following cash deposits and investments:

Common Stock	\$ 168,922
Collective Investment—Equity	120,332
Corporate Obligations	115
Collective Investment—Bonds	114,748
U.S. Government Securities	6
Money Market Funds	5,210
Other Cash Deposits	3,659
	<u>\$ 412,992</u>

The Firemen's System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Firemen's System's development and continual monitoring of sound investment policies. The Investment Maturities, Credit Rating by Investment, and Foreign Currency Exposures by Asset Class schedules are presented below to provide an illustration of the Firemen's System's current level of exposure to various risks.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Firemen's System as of September 30, 2005:

	Fair Value	No Maturity	Investment maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Common Stock	\$ 168,922	168,922	—	—	—	—
Collective Investment—Equity	120,332	120,332	—	—	—	—
Corporate Obligations	115	—	—	—	—	115
Collective Investment—Bonds	114,748	—	746	114,002	—	—
U.S. Government Securities	6	—	—	—	—	6
Money Market Funds	5,210	5,210	—	—	—	—
	<u>\$ 409,333</u>	<u>294,464</u>	<u>746</u>	<u>114,002</u>	<u>—</u>	<u>121</u>

The Firemen's System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2005:

Credit Rating Level	Common Stock	Collective Investment	Corporate Obligations	Government Securities	Money Market
Agency	\$ —	—	—	6	—
AAA	—	746	115	—	—
AA	—	114,002	—	—	—
A	—	—	—	—	—
BBS	—	—	—	—	—
BB	—	—	—	—	—
Not Rated	168,922	120,332	—	—	5,210
	<u>\$ 168,922</u>	<u>235,080</u>	<u>115</u>	<u>6</u>	<u>5,210</u>



**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
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Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Firemen's System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Firemen's System's current level of foreign currency exposure as of September 30, 2005:

	<b>Money Market</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Total</b>
Australian Dollar	\$ —	1,873	—	1,873
Bermuda Dollar	—	208	—	208
British Pound Sterling	—	7,656	—	7,656
Canadian Dollar	—	3,433	—	3,433
Danish Krone	—	322	—	322
Euro	—	15,383	—	15,383
Hong Kong Dollar	—	977	—	977
Japanese Yen	—	15,078	—	15,078
Norwegian Krone	—	950	—	950
Portugal Escudo	—	282	—	282
Spanish Peseta	—	2,964	—	2,964
Swedish Krona	—	1,227	—	1,227
Swiss Franc	—	2,276	—	2,276
Taiwan Dollar	—	1,603	—	1,603
Total Foreign Currency	—	54,232	—	54,232
United States Dollar	5,210	235,022	114,869	355,101
Total	\$ 5,210	289,254	114,869	409,333

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Firemen's System's minimum credit quality rating for each issue shall be "BBB-" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. The fixed income portfolio should have an average quality rating of at least "A" (or its equivalent). Commercial paper issues must be rated at least "A1" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. In the event of a downgrade below investment grade by any rating agency, the Investment Manager is required to notify the Board and Investment Consultant as soon as possible and to refrain from any further investment in the downgraded issue.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Firemen's System does not have a written investment policy covering interest rate risk.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Firemen's System's investment in a single issuer. The Firemen's System's policy does not allow the concentration per issuer to exceed 5% at purchase or 10% with capital appreciation of the market value of the investment manager's portfolio, with the exception of cash, cash equivalents, U. S. Treasury, or Agency securities. Furthermore, the Investment Manager may not hold more than 5% of the outstanding shares of any single issuer with exception of U. S. Treasuries or Agencies. It is the Firemen's System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

<b>Asset Class as a Percent of Total Assets</b>			
<b>Asset Class</b>	<b>Minimum</b>	<b>Target Mix</b>	<b>Maximum</b>
Domestic Equity:			
Large Cap	35%	40	45
Small Cap	8	10	12
Domestic Fixed Income	27	30	33
International Equities	12	15	18
Real Estate	2	5	8

Investments which exceed 5% or more of net assets held in trust for pension benefits for the Firemen's System are as follows:

PanAgora Bond Index Fund	\$114,748
PanAgora Equity Index	81,279
Artisan International Stock	39,052

The Firemen's System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The collateral maintained is at least 100% of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. At September 30, 2005, \$32,129 in loans was outstanding to borrowers. The Firemen's System earned income of \$100 for its participation in the securities lending program for the year ended September 30, 2005.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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3) Primary Government—Pension Trust Fund—Police System

As of September 30, 2005, the Police System had the following cash deposits and investments:

Equities:	
Common Stock	\$ 253,348
Collective Investment Funds	166,158
Real Estate Equities	19,001
Mortgaged-Backed Securities—Government	72,860
Mortgaged-Backed Securities—Nongovernment	26,020
Corporate Bonds	46,273
Government Securities	87,198
Short-Term Notes and Commercial Paper	3,761
Money Market Funds	22,445
Investment Property	1,854
Other Cash Deposits	5,180
	<hr/>
	\$ 704,098
	<hr/>

The Police System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Police System's development and continual monitoring of sound investment policies. The Investment Maturities, Credit Rating by Investment, and Foreign Currency Exposures by Asset Class schedules are presented below to provide an illustration of the Police System's current level of exposure to various risks.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Police System as of September 30, 2005:

	Fair Value	No Maturity	Investment maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Equities:						
Common Stock	\$ 253,348	253,348	—	—	—	—
Collective Investment Funds	166,158	166,158	—	—	—	—
Real Estate Equities	19,001	19,001	—	—	—	—
Mortgaged-Backed Securities—						
Government	72,860	—	—	472	425	71,963
Mortgaged-Backed Securities—						
Nongovernment	26,020	—	—	2,152	1,572	22,296
Corporate Bonds	46,273	—	5,435	8,511	21,502	10,824
Government Securities	87,198	—	4,683	44,123	22,268	16,124
Short-Term Notes and Commercial Paper	3,761	3,761	—	—	—	—
Money Market Funds	22,445	22,445	—	—	—	—
Investment Property	1,854	1,854	—	—	—	—
	<u>\$ 698,918</u>	<u>466,567</u>	<u>10,118</u>	<u>55,258</u>	<u>45,767</u>	<u>121,207</u>

The Police System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2005:

Credit Rating Level	Equities	Government Mortgage Backed Securities	Nongovernment Mortgage Backed Securities	Corporate Bonds	Government Securities	Short-term Notes and Commercial Paper	Money Market Fund	Investment Property
Agency	\$ —	72,860	—	—	14,186	—	—	—
AAA	—	—	20,508	3,348	71,294	—	—	—
AA	—	—	1,768	2,686	957	—	—	—
A	—	—	1,589	22,925	368	—	—	—
BBB	—	—	405	11,052	393	—	—	—
BB	—	—	—	1,798	—	—	—	—
B	—	—	—	3,534	—	—	—	—
Not Rated	438,507	—	1,750	930	—	3,761	22,445	1,854
	<u>\$ 438,507</u>	<u>72,860</u>	<u>26,020</u>	<u>46,273</u>	<u>87,198</u>	<u>3,761</u>	<u>22,445</u>	<u>1,854</u>

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Police System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Police System's current level of foreign currency exposure as of September 30, 2005:

		Money Money Market/ Commercial Paper	Investment Property	Equities	Fixed Income	Total
Australian Dollar	\$	—	—	—	431	431
Bazilian Real		—	—	—	433	433
British Pound Sterling		—	—	2,456	862	3,318
Canadian Dollar		—	—	2,963	384	3,347
Cayman Islands Dollar		—	—	302	728	1,030
Chilean Peso		—	—	—	758	758
Euro		—	—	3,480	1,535	5,015
Indian Rupee		—	—	588	—	588
Israeli Shekel		—	—	402	—	402
Mexican Peso		—	—	846	580	1,426
Norwegian Krone		—	—	—	276	276
Polish Zloty		—	—	—	31	31
Swedish Krona		—	—	336	—	336
Swiss Franc		—	—	1,780	—	1,780
Total Foreign Currency		—	—	13,153	6,018	19,171
United States Dollar		26,206	1,854	425,354	226,333	679,747
Total	\$	26,206	1,854	438,507	232,351	698,918

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fixed Income Portfolio must have an average rating of "A" or better in the aggregate as measured by at least one credit rating service. In cases where the yield spread adequately compensates for additional risk, securities rated lower than "A" may be purchased, provided overall fixed income quality is maintained. All issues will be of investment grade quality (BBB or Baa rated) or higher at the time of purchase. Up to 15% of the total market value of fixed income securities may be invested in BBB or Baa rated securities. In cases where credit rating agencies assign different quality ratings to a security, the lower rating will be used. Should the rating of a fixed income security fall below minimum investment grade, the Investment Manager may continue to hold the security if they believe the security will be upgraded in the future, there is low risk of default, and buyers will continue to be available throughout the anticipated holding period. The Investment Manager has the responsibility of notifying the Board of Trustees through their designee whenever an issue falls below investment grade.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The average effective duration of the aggregate portfolio, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus one year of the duration of the Salomon Brothers Broad Investment Grade Bond Index.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Police System's investment in a single issuer. It is the Police System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

<b>Asset Class as a Percent of Total Assets</b>			
<b>Asset Class</b>	<b>Minimum</b>	<b>Target Mix</b>	<b>Maximum</b>
Fixed Income	33%	35	37
Real Estate Equity	3	5	7
Large Cap U.S. Stocks	38	40	42
Small Cap U.S. Stocks	8	10	12
Non-U.S. Stocks	8	10	12

Investments which exceed 5% or more of net assets held in trust for pension benefits for the Police System are as follows:

MFB Daily S&P 500 Equity Index	\$94,763
CF Clay Finlay Group Trust	36,030
CF TBC International Equity Pooled	35,363

The Police System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest, and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 60% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 40% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counterparty risk. The Police System authorizes the lending of domestic securities, U. S. Treasuries, corporate bonds, and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2005, outstanding loans to borrowers were \$104,020. The Police System earned income of \$126 for its participation in the securities lending program for the year ended September 30, 2005.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

4) Primary Government—Pension Trust Fund—Employees’ System

As of September 30, 2005, the Employees’ System had the following cash deposits and investments:

Stocks	\$ 237,828
Managed International Equity Funds	118,323
Corporate Bonds and Debentures	20,128
Foreign Governmental and Corporate Obligations	15,783
Domestic Bond Funds	40,045
Real Estate Fund	56,229
United States Government and Agency Securities	32,683
Temporary Cash Investments	5,518
Other Cash Deposits	157
	\$ 526,694

Foreign Currency Risk

The Employees’ System does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The Employees’ System’s exposure to foreign currency risk is presented on the following table:

	<b>Short- Term</b>	<b>Debt</b>	<b>Equity</b>	<b>Total</b>
Canadian Dollar	\$ —	1,253	—	1,253
Euros	—	8,895	—	8,895
Japanese Yen	—	3,047	—	3,047
Total	\$ —	13,195	—	13,195

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

Credit Risk of Debt Securities

The Employees' System's rated debt investments as of September 30, 2005 were rated by Standard & Poor's, and the ratings are presented using the Standard & Poor's rating scale. The Employees' System's policy to limit credit risk is that fixed income securities shall be limited to those with a Standard & Poor's rating of investment grade (BBB/Baa) or better.

		<b>AAA</b>	<b>AA+</b>	<b>AA-</b>
Corporate Bonds and Debentures	\$	3,740	—	968
Foreign Government and Corporate Obligations		8,508	834	2,262
Domestic Bond Funds		31,315	1,962	—
U.S. Government Securities		18,688	—	—
U.S. Government Agency Securities		10,755	—	—
Total	\$	73,006	2,796	3,230

		<b>A+</b>	<b>A</b>	<b>A-</b>
Corporate Bonds and Debentures	\$	4,150	4,367	2,088
Foreign Government and Corporate Obligations		1,039	135	250
Domestic Bond Funds		—	3,524	—
U.S. Government Securities		—	—	—
U.S. Government Agency Securities		—	—	—
Total	\$	5,189	8,026	2,338

		<b>BBB+</b>	<b>BBB</b>	<b>BBB-</b>	<b>Unrated</b>
Corporate Bonds and Debentures	\$	2,667	1,071	1,003	74
Foreign Government and Corporate Obligations		128	—	—	2,627
Domestic Bond Funds		—	3,244	—	—
U.S. Government Securities		—	—	—	—
U.S. Government Agency Securities		—	—	—	3,240
Total	\$	2,795	4,315	1,003	5,941



**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

Interest Rate Risk

The Employees' System does not have a formal policy to limit interest rate risk. Risk of loss arises from changes in interest rates which have significant affects on fair values of investments.

	Fair Value	Investment maturities (in years)			
		Less than 1	1 – 5	6 – 10	More than 10
U.S. Government Securities	\$ 12,155	—	4,269	7,886	—
Agency Securities	20,528	2,090	7,952	2,190	8,295
Corporate Bonds and Debentures	20,128	2,547	7,554	7,387	2,640
Foreign Government and Corporate Obligations	15,783	—	7,285	5,838	2,660
Domestic Bond Funds	40,045	5,206	13,215	19,622	2,002
	<u>\$ 108,639</u>	<u>9,843</u>	<u>40,275</u>	<u>42,923</u>	<u>15,597</u>

The Employees' System permits its investment manager to utilize financial derivative instruments such as forwards, futures, and options. The use of these financial derivatives is defensive in nature, that is, used only to manage duration and foreign currency exposure and bond exposure. Open currency exposure shall not exceed 10% of the global fixed income portfolio. As of September 30, 2005, the Employees' System had a net receivable of \$354 (cost \$0) based on current market values.

The Employees' System participates in a securities lending program administered by a financial institution. Brokers who borrow the securities provide collateral, usually in the form of cash valued at 102% for domestic securities. There are no restrictions on the amount of securities that can be lent at one time. At September 30, 2005, the term to maturity of the securities lent is matched with the term to maturity of the investment of the cash collateral. These loans can be terminated on demand by either the lender or borrower. The Employees' System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2005, the Employees' System has lending arrangements outstanding with a market value for securities lent of \$38,262 and a total market value for securities received as collateral of \$39,130 resulting in no credit risk for the Employees' System.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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Concentration of Credit Risk

At September 30, 2005, the Employees' System has the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. government) in any one organization, that represent five percent or more of total investments:

State Street Global Advisors	
Passive Bond Market Index Fund	<u>\$40,045</u>
Silchester International Investors	
International Value Equity Group Trust	<u>\$65,366</u>
Walter Scott & Partners Limited	
Group Trust International	<u>\$52,956</u>
Principal Global Investors	
Real Estate Group Annuity Contract	<u>\$56,228</u>

b. Component Unit—SLDC

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name. At June 30, 2006, all of SLDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in SLDC's name. At June 30, 2006, the market value of investments approximates the carrying value of \$27.

c. Component Unit—SLPD

Investments are recorded at fair value, which is determined by closing market prices at year-end as reported by the investment custodian. Investments with an original maturity date of less than one year are carried at cost plus earned interest, which approximates fair value.

As of June 30, 2006, the SLPD had the following cash deposits and investments:

Federal Home Loan Discount Notes	\$ 3,123
Money Market Mutual Funds	690
Other cash deposits	<u>1,511</u>
Total	<u><u>\$ 5,324</u></u>

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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State statutes and SLPD investment policies are the same as for the primary government SLPD funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the SLPD's name. Actual investment decisions are made by the director of budget and finance, the Board of Police Commissioners, and the SLPD's fiscal agents.

**Interest Rate Risk**

The SLPD seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Board of Police Commissioner's (Investment Policy). The Investment Policy provides that, to the extent possible, the SLPD shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the SLPD will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the SLPD for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

The investment had the following maturities on June 30, 2006:

	<u><b>Maturity</b></u>	<u><b>Carrying Value</b></u>
Federal Home Loan Discount Notes	July 26, 2006	\$ <u><u>3,123</u></u>

**Credit Risk**

The Investment Policy provides that investments of the SLPD be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

The SLPD's investments in Federal Home Loan Discount Notes as of June 30, 2006, were rated AAA by Moody's Investor Service and Standard & Poor's.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the SLPD will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All SLPD securities and securities pledged as collateral must be held in a segregated account on behalf of the SLPD by an independent third-party with whom the SLPD has a current custodial agreement and has been designated by the Board of Police Commissioners to serve in such capacity.

At June 30, 2006, all SLPD investments and all collateral securities pledged against SLPD deposits are held by the counterparty's trust department or agent in the SLPD's name.

**Concentration of Credit Risk**

The SLPD has no investment policy related to the concentration of credit risk. At June 30, 2006, the concentration of the SLPD's investments (excluding cash deposits) was as follows:

	<b><u>Concentration</u></b>
Federal Home Loan Discount Note	82%
Money Market Mutual Funds	<u>18%</u>
	<u><u>100%</u></u>

d. **Component Unit—HSTRC**

At May 31, 2006, the carrying amount of HSTRC's cash deposits was \$31 and was insured by the Federal Deposit Insurance Corporation (FDIC).

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

e. Component Unit—SWMDC

At June 30, 2006, all of SWMDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in the City's name. SWMDC's investments of \$685 at year-end consisted entirely of Federal Home Loan Mortgage Corporation and Federal National Mortgage Securities with less than one year to maturity and rated AAA by Standard & Poor's Corporation.

3. RECEIVABLES, NET

	<u>Taxes</u>	<u>Intergovern- mental</u>	<u>Charges for Services</u>	<u>Notes and Loans</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental activities:</b>						
General fund	\$ 87,235	3,841	303	—	3,470	94,849
Capital projects fund	2,765	3,177	—	—	2	5,944
Grants fund	—	4,597	—	—	—	4,597
Other governmental funds	24,597	1,019	1,154	90	116	26,976
Internal service funds	—	—	—	—	—	—
Total governmental activities	<u>\$ 114,597</u>	<u>12,634</u>	<u>1,457</u>	<u>90</u>	<u>3,588</u>	<u>132,366</u>
<b>Business-type activities:</b>						
Airport	\$ —	14,891	9,441	—	4,860	29,192
Water Division	—	—	6,034	—	63	6,097
Parking Division	—	—	77	—	—	77
Total business-type activities	<u>\$ —</u>	<u>14,891</u>	<u>15,552</u>	<u>—</u>	<u>4,923</u>	<u>35,366</u>

All amounts are scheduled for collection during the subsequent fiscal year.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2006  
(dollars in thousands)

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4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which has been deducted from the related receivable in the government-wide statement of net assets and fund financial statements, consists of the following balances:

**Governmental activities:**

Taxes receivable—general fund	\$ 903
Taxes receivable—other governmental funds	130
Charges for services receivable—general fund	63
Charges for services receivable—other governmental funds	352

**Business-type activities:**

Charges for services receivable—Airport	746
Charges for services receivable—Water Division	3,276
	<u>\$ 5,470</u>

5. COMPONENT UNIT—SLDC RECEIVABLES

SLDC receivables consist principally of small business commercial loans to facilitate development activities. The commercial loans were financed utilizing funds provided by the Community Development Agency (CDA) of the City, the Economic Development Administration, and the State. The proceeds from any repayment of these loans are payable back to the funding source or re-loaned in accordance with the lending program. Thus, a corresponding liability has been recorded.

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2006:

Airport bond fund:	
Debt service account	\$ 36,872
Debt service reserve account	40,929
Airport renewal and replacement fund	3,500
Passenger facility charge fund	30,018
Airport development fund	62,650
Airport construction fund	78,429
Drug enforcement agency funds	2,252
	<u>\$ 254,650</u>

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City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues, but no later than five business days before the end of each month) in the following order of priority:

- 1) *Unrestricted Airport Operation and Maintenance Fund*: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) *Airport Bond Fund*: for credit to the Debt Service Account, if and to the extent required, so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.
- 3) *Airport Bond Fund*: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the debt service account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.
- 4) *Airport Renewal and Replacement Fund*: an amount equal to \$57, provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted moneys in said fund are equal to or greater than \$3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.
- 5) *A sub-account in the Airport Revenue Fund*: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such sub-account shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this sub-account may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.
- 6) *Airport Contingency Fund*: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance, or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system, or other local facilities that are owned or operated by the City and are directly related to the actual transportation of passengers or property.

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- 7) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that, in the event the sum on deposit in the Airport Bond Fund—Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2006 are as follows:

Bond funds:	
Waterworks bond and interest account	\$ 3,371
Water revenue bond reserve account	3,146
Water replacement and improvement account	<u>714</u>
Total bond funds	7,231
Construction funds	7,813
Customer deposits	<u>1,906</u>
	<u><u>\$ 16,950</u></u>

City ordinances require that revenues derived from the operation of the Waterworks System be deposited in the Waterworks Revenue Account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

1) 1994 Water Revenue Bond Funds

To the unrestricted Waterworks Operations and Maintenance Account, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

To the Waterworks Bond and Interest Account, an amount at least equal to 1/6 of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to 1/12 of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payments of bonds principal and interest, as the same shall become due.

To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due on any fiscal year on the bonds.



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To the Water Replacement and Improvement Account, an amount equal to \$25 per month until the account balance aggregates \$700. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.

The remaining balance in the Waterworks Revenue Fund is to be deposited into the unrestricted Water Contingent Account. This account shall be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving, or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

2) 1998 Water Revenue Bond Funds

To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due in any fiscal year on the bonds.

3) Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1994 Revenue Bonds and amounts appropriated from the Water Contingent Account shall be held in the Construction Fund, from which they shall be disbursed for the purposes contemplated in these ordinances.

4) Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction, and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

5) Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a \$3.00 (in dollars) per quarter surcharge from flat-rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

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Notes to Basic Financial Statements, Continued  
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c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2006 are as follows:

Series 2002, 1999, and 1996 bonds:

Debt service reserve	\$ 5,773
Repair and replacement	2,631
Debt service	463
Parking trust—Parking Division accounts	<u>3,735</u>
Total series 2002, 1999, and 1996 bonds	12,602

Series 2003A and 2003B bonds:

Gross revenues	141
Bond	68
Repair and replacement	30
Operating reserve	100
Redemption	<u>8</u>
Total series 2003A and 2003B bonds	<u>347</u>
	<u>\$ 12,949</u>

The June 30, 2006 restricted assets are required by the Series 2003A, 2003B, 2002, 1999, and 1996 bond indentures. Descriptions of the above funds required by the Series 2002, 1999, and 1996 Bond indentures are as follows:

- 1) *Debt service reserve*—Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available
- 2) *Construction*—Used to pay construction costs to complete the respective projects
- 3) *Debt Service*—Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds
- 4) *Parking Trust*—Parking Division Accounts—Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available
- 5) *Repair and Replacement* – Provides for the repair and upkeep of the Kiel Parking Garage.

The Series 1999 and 1996 Bond indentures specify how funds are to be deposited into these restricted accounts. Payment for the bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all net project revenues and, by the 10<sup>th</sup> business day of each month, the treasurer is required to deposit into the Treasurer's Parking Facilities Debt Service Account such net project revenues in the following order of priority, first for transfer to the trustee for deposit (a) into

**City of St. Louis, Missouri**  
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the Debt Service Fund for each series of bonds outstanding the amount of moneys required to meet the debt service requirements for such series for at least one bond year; (b) into the Debt Service Reserve Fund for each series of bonds outstanding amounts, if any, required to cure any deficiency in such Debt Service Reserve Fund; (c) into the series account in the Parking Trust Fund for each series of bonds outstanding to repay, on a pro rata basis, but subject to the Indenture, any amounts drawn from the Parking Division Account in the Parking Trust Fund and the Traffic Violations Bureau (TVB) account in the Parking Trust Fund in connection with the bonds; and (d) into the Treasurer's Parking Facilities Renewal and Replacement Account to the extent required in the indenture. If there are insufficient net project revenues to make the payments provided herein as the same become due, a pro rata amount shall be deposited for each series of bonds and the treasurer shall pay out of the net project revenues received by the treasurer during the next succeeding months, to the extent there are surplus funds remaining after the required deposits for such months, such sums as are necessary to make up such shortfalls.

The Series 2002 Bonds are subordinated bonds, meaning that Parking Division revenues are applied to the Series 2002 Bond accounts only after the other bond accounts have been satisfied. Payment for the Series 2002 Bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all receipts from the financed facilities and deposit such funds in the Treasurer's Parking Facilities Subordinated Revenue Account. By the 10<sup>th</sup> day of each month, net project revenues attributable to the financed facilities, on a modified cash basis, for the preceding month, shall be transferred to the trustee for deposit in the net project revenues account of the Revenue Fund. Promptly upon receipt, the trustee shall transfer moneys held in the net Project Revenues Account, first, to the Interest Account of the Debt Service Fund until the amount on deposit in such account equals the amount required to pay interest on the bonds on the next interest payment date and, second, to the Principal Account of the Debt Service Fund until the amount on deposit therein equals the amount required to pay the principal of, including any redemption premium related to, the bonds on the next principal payment date which is not more than one year after the date of deposit. Any moneys remaining after such deposits shall be transferred; first, to the Debt Service Reserve Fund until the amount on deposit therein is equal to the Debt Service Reserve Fund requirement; second, to the Special Reserve Fund, if and to the extent required by the indenture; third, to the Treasurer's Parking Facilities Subordinated Renewal and Replacement Account, until the amount on deposit therein is equal to the amount, if any, established by the treasurer based on the recommendation of a consultant selected by the Parking Commission of the City of St. Louis and any moneys remaining thereafter shall then be released to the treasurer free and clear of the lien of the indenture.

Descriptions of the funds required by the Series 2003A and 2003B bond indenture are as follows:

- 1) *Gross Revenues*—Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage
- 2) *Bonds*—Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B Bonds
- 3) *Repair and Replacement*—Provides for the repair and upkeep of the Cupples Garage

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Notes to Basic Financial Statements, Continued  
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- 4) *Operating Reserve*—Maintains operating reserve as required by the Bond indenture
- 5) *Redemption*—Maintains funds set aside for the future redemption of the Series 2003A and 2003 Bonds

As specified by the Series 2003A and 2003B bond indenture, the revenues from the operation of the Cupples Garage are deposited into the Gross Revenues Fund. By the 25<sup>th</sup> of each month, the Trustee is required to first pay from the Gross Revenue Fund all operating expenses associated with the Cupples Garage, all rent for surface lots surrounding the Cupples Garage, and all fees due to the Trustee. Secondly, the Trustee is required to transfer from the Gross Revenues Fund to the Bond Fund an amount equal to the debt service required to be paid on the next interest payment date for the Series 2003A and 2003B Bonds. Thirdly, the Trustee is required to transfer 1% of the gross revenues received during the month to the Repair and Replacement Fund, provided that the balance in the Repair and Replacement Fund does not exceed \$250. Fourthly, the Trustee is required to transfer from the Gross Revenue Fund to the Operating Reserve Fund any amount necessary to bring the Operating Reserve Fund to the \$100 balance required by the Bond indenture. Fifthly, the Trustee is required to transfer 75% of the remaining balance in the Gross Revenue Fund to the Redemption Fund. Finally, the Trustee is required to transfer any remaining balance in the Gross Revenue Fund to the Parking Division as a management fee.

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2006 are as follows:

Bond funds	\$ <u>2,128</u>
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Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a Bond Reserve Account in the amount of \$2,128.

The revenue bond indenture requires that gross operating revenues be paid to the bond trustee for deposit in the parking facility fund. From this fund, the revenues are to be applied by the trustee to various reserve accounts including principal and interest, repair and replacement, and operating reserve up to specified limits.

e. Component Unit—SLPD

SLPD restricted assets of \$690 at June 30, 2006 represent mutual funds restricted in accordance with debt covenants.

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7. CAPITAL ASSETS

a. Primary Government

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
<b>Governmental activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 77,419	12	(79)	—	77,352
Construction in progress	79,755	16,848	—	(38,000)	58,603
Works of art	2,955	—	—	99	3,054
Total capital assets not being depreciated	<u>160,129</u>	<u>16,860</u>	<u>(79)</u>	<u>(37,901)</u>	<u>139,009</u>
<i>Capital assets being depreciated:</i>					
Buildings	395,907	1,224	(96)	19,024	416,059
Improvements other than buildings	73,158	1,947	—	275	75,380
Equipment	99,021	2,057	(2,372)	—	98,706
Infrastructure	409,667	6,953	—	18,602	435,222
Total capital assets being depreciated	<u>977,753</u>	<u>12,181</u>	<u>(2,468)</u>	<u>37,901</u>	<u>1,025,367</u>
<i>Less accumulated depreciation for:</i>					
Buildings	100,743	9,978	—	—	110,721
Improvements other than buildings	15,627	1,925	—	—	17,552
Equipment	48,506	6,355	(2,039)	—	52,822
Infrastructure	195,457	19,171	—	—	214,628
Total accumulated depreciation	<u>360,333</u>	<u>37,429</u>	<u>(2,039)</u>	<u>—</u>	<u>395,723</u>
Total capital assets being depreciated, net	<u>617,420</u>	<u>(25,248)</u>	<u>(429)</u>	<u>37,901</u>	<u>629,644</u>
Governmental activities capital assets, net	<u>\$ 777,549</u>	<u>(8,388)</u>	<u>(508)</u>	<u>—</u>	<u>768,653</u>

Construction in progress consists primarily of firehouse renovations and street and bridge projects.

Included in the governmental activities capital assets is an idle capital asset that the City has determined to be impaired. This capital asset's carrying value is \$5,294 at June 30, 2006. No impairment loss was recognized for the year ended June 30, 2006 as the asset was already carried at the lower of cost or fair market value.

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Notes to Basic Financial Statements, Continued  
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The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2006. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2006</b>
<b>Business-type activities:</b>					
<b>Combined:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 851,481	37,001	(5,444)	48	883,086
Construction-in-progress	527,706	106,271	—	(565,782)	68,195
Total capital assets not being depreciated	<u>1,379,187</u>	<u>143,272</u>	<u>(5,444)</u>	<u>(565,734)</u>	<u>951,281</u>
<i>Capital assets being depreciated:</i>					
Buildings and structures	466,758	6,926	(126)	8,293	481,851
Equipment	72,185	3,950	(1,675)	2,042	76,502
Pavings	310,841	668	(5,398)	553,422	859,533
Parking meters and lot equipment	6,041	19	(263)	—	5,797
Reservoirs	34,448	65	—	—	34,513
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,592	—	—	276	8,868
Purification basins and equipment	38,226	5	—	1,701	39,932
Water mains, lines, and accessories	105,814	3,128	(10)	—	108,932
Motor vehicle equipment	8,353	438	(241)	—	8,550
Total capital assets being depreciated	<u>1,051,919</u>	<u>15,199</u>	<u>(7,713)</u>	<u>565,734</u>	<u>1,625,139</u>
<i>Less accumulated depreciation for:</i>					
Buildings and structures	248,183	15,056	(121)	—	263,118
Equipment	58,445	4,469	(1,640)	—	61,274
Pavings	184,615	13,073	(1,120)	—	196,568
Parking meters and lot equipment	3,696	428	(166)	—	3,958
Reservoirs	5,980	664	—	—	6,644
Boiler plant equipment	615	4	—	—	619
Pumping equipment	7,470	155	—	—	7,625
Purification basins and equipment	10,056	737	—	—	10,793
Water mains, lines, and accessories	46,786	1,312	(6)	—	48,092
Motor vehicle equipment	4,768	538	(241)	—	5,065
Total accumulated depreciation	<u>570,614</u>	<u>36,436</u>	<u>(3,294)</u>	<u>—</u>	<u>603,756</u>
Total capital assets being depreciated, net	<u>481,305</u>	<u>(21,237)</u>	<u>(4,419)</u>	<u>565,734</u>	<u>1,021,383</u>
Business-type activities capital assets, net	<u>\$ 1,860,492</u>	<u>122,035</u>	<u>(9,863)</u>	<u>—</u>	<u>1,972,664</u>

Construction-in-progress consists primarily of various improvements at the Airport to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed. Additionally, construction-in-progress consists of various improvements to the waterworks system.

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Notes to Basic Financial Statements, Continued  
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Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

**Governmental activities:**

General government	\$ 5,009
Convention and tourism	4,228
Parks and recreation	2,481
Judicial	352
Streets	22,160
Public safety:	
Fire	1,793
Other	767
Health and welfare	426
Public service	<u>213</u>
Total depreciation expense, governmental activities	\$ <u><u>37,429</u></u>

**Business-type activities:**

Airport	\$ 29,791
Water Division	4,503
Parking Division	<u>2,142</u>
Total depreciation expense, business-type activities	\$ <u><u>36,436</u></u>

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2006:

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2006</b>
Capital assets not being depreciated:				
Land	\$ 4,914	—	—	4,914
Total capital assets not being depreciated	<u>4,914</u>	<u>—</u>	<u>—</u>	<u>4,914</u>
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	648	10	—	658
Parking facilities	18,897	—	—	18,897
Total capital assets being depreciated	<u>22,545</u>	<u>10</u>	<u>—</u>	<u>22,555</u>
Less accumulated depreciation for:				
Leasehold improvements	900	200	—	1,100
Equipment	639	4	—	643
Parking facilities	8,599	602	—	9,201
Total accumulated depreciation	<u>10,138</u>	<u>806</u>	<u>—</u>	<u>10,944</u>
Total capital assets being depreciated, net	<u>12,407</u>	<u>(796)</u>	<u>—</u>	<u>11,611</u>
SLDC capital assets, net	<u>\$ 17,321</u>	<u>(796)</u>	<u>—</u>	<u>16,525</u>



**City of St. Louis, Missouri**  
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c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2006:

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2006</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,646	—	—	1,646
Total capital assets not being depreciated	<u>1,646</u>	<u>—</u>	<u>—</u>	<u>1,646</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	38,729	973	—	39,702
Furniture, fixtures, and other equipment	2,829	206	—	3,035
Automotive equipment	8,966	1,959	1,086	9,839
Communications equipment	4,691	16	212	4,495
Computers and software	2,856	321	—	3,177
Aircraft	258	—	—	258
Total capital assets being depreciated	<u>58,329</u>	<u>3,475</u>	<u>1,298</u>	<u>60,506</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	15,968	702	—	16,670
Furniture, fixtures, and other equipment	1,717	420	—	2,137
Automotive equipment	6,695	1,495	998	7,192
Communications equipment	4,036	219	211	4,044
Computers and software	1,687	410	—	2,097
Aircraft	250	4	—	254
Total accumulated depreciation	<u>30,353</u>	<u>3,250</u>	<u>1,209</u>	<u>32,394</u>
Total capital assets being depreciated, net	<u>27,976</u>	<u>225</u>	<u>89</u>	<u>28,112</u>
SLPD capital assets, net	<u>\$ 29,622</u>	<u>225</u>	<u>89</u>	<u>29,758</u>

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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d. Component Unit—SWMDC

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2006</b>
<i>Capital assets being depreciated:</i>				
Infrastructure	\$ 7,940	116	—	8,056
Total capital assets being depreciated	7,940	116	—	8,056
<i>Less accumulated depreciation for:</i>				
Infrastructure	2,411	254	—	2,665
Total accumulated depreciation	2,411	254	—	2,665
SWMDC capital assets, net	\$ 5,529	(138)	—	5,391

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2006, SLDC has established a reserve for impairment of \$5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<b>Vendors</b>	<b>Contracts and retainage payable</b>	<b>Total</b>
<b>Governmental activities:</b>			
General fund	\$ 4,610	316	4,926
Capital projects fund	3,978	2,907	6,885
Grants fund	5,697	—	5,697
Other governmental funds	635	61	696
Internal service	427	—	427
Total governmental activities	\$ 15,347	3,284	18,631
<b>Business-type activities:</b>			
Airport	\$ 3,374	18,240	21,614
Water Division	1,933	—	1,933
Parking Division	188	—	188
Total business-type activities	\$ 5,495	18,240	23,735

**City of St. Louis, Missouri**  
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10. RETIREMENT PLANS

The City contributes to three defined benefit retirement plans. The Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System) are single – employer plans. The Employees' Retirement System of the City of St. Louis (Employees' System) is a cost-sharing multiple-employer plan. However, due to the City's participation in the Employees' System being greater than 99% of the total participation of all employers, the disclosures provided for the Employees' System are those for a single-employer plan. Each system is administered by a separate board of trustees, who are partially appointed by City officials, plan participants, and the governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end, which falls within the City's current fiscal year-end as follows:

<u>System</u>	<u>System Fiscal Year-end</u>
Firemen's	September 30, 2005
Police	September 30, 2005
Employees'	September 30, 2005

a. Firemen's Retirement System of St. Louis

1) System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis, 1601 South Broadway, St. Louis, Missouri, 63104.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP is available to members of the Firemen's System who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member, and the member's contribution will be reduced

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to 1% from the normal 8%. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

2) Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per the State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

3) Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2006 are as follows:

Annual required contribution	\$ (14,766)
Interest on net pension asset	1,050
Adjustment to annual required contribution	(1,180)
Annual pension cost	<u>(14,896)</u>
Contributions made	4,110
Decrease in net pension asset	<u>(10,786)</u>
Net pension asset, beginning of year	<u>13,776</u>
Net pension asset, end of year	<u><u>\$ 2,990</u></u>

The net pension asset of \$2,990 as of June 30, 2006, is reflected as a net pension asset within governmental activities in the government-wide financial statements.

Historical trend information about the City's participation in the Firemen's System is presented below to help readers assess the Firemen's System's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Asset</b>
2006	\$ 14,896	28 %	\$ 2,990
2005	9,926	21	13,776
2004	4,517	46	21,647

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Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment, closed-period
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.500%, per year to retirement age
Projected postretirement benefit increases	5.000% with a maximum of 25% in increases after age 60

4) Lawsuit

The Firemen's System has filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Firemen's System for the City's 2004, 2005 and 2006 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court. The fiscal year 2005 and 2006 suits are pending the outcome of the fiscal year 2004 suit. The City has determined that it is probable that it will be required to remit these contributions. However, no additional liability has been recorded as the net pension asset already recorded reflects the City's overpayment or underpayment of actuarially determined annual required contributions to the Firemen's System Plan at June 30, 2006. A similar lawsuit has been filed against the City by the Firemen's System relating to fiscal year 2007 contributions.

b. Police Retirement System of St. Louis

1) System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; 2020 Market Street, St. Louis, Missouri 63103.

Police officers may elect voluntary retirement after 20 or more years of credited service regardless of age or upon attaining age 55. The monthly allowance consists of 40% of the two-year (three-year prior to October 1, 2001) average final compensation for the first 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have at least 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. The Police

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System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by the State statute.

During the Police System year ended September 30, 1996, DROP benefit provisions were added. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account, and will no longer make contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

2) Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty (prior to October 1, 2001, only if 100% disabled), the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police System for the year ended June 30, 2006 are as follows:

Annual required contribution	\$ (14,940)
Interest on net pension obligation	(999)
Adjustment to annual required contribution	1,521
Annual pension cost	<u>(14,418)</u>
Contributions made	<u>8,093</u>
Increase in net pension obligation	<u>(6,325)</u>
Net pension obligation beginning of year	<u>(12,898)</u>
Net pension obligation end of year	<u><u>\$ (19,223)</u></u>

The net pension obligation of \$(19,223) is reflected as a long-term liability within governmental activities in the government-wide financial statements.

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Historical trend information about the City's participation in the Police System is presented below.

<b>Fiscal Year</b>		<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>			<b>Net Pension Obligation</b>
2006	\$	14,418	56	%	\$	(19,223)
2005		11,485	35			(12,898)
2004		9,576	43			(5,460)

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Aggregate cost method (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Cost-of-living adjustments	3.00%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

4) Lawsuit

The Police System has filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System for the City's 2004, 2005 and 2006 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court. The fiscal year 2005 and 2006 suits are pending the outcome of the fiscal year 2004 suit. The City has determined that it is probable that it will be required to remit these contributions. However, no additional liability has been recorded as the net pension obligation already recorded reflects the City's liability to the Police System plan at June 30, 2006. A similar lawsuit has been filed against the City by the Police System relating to fiscal year 2007 contributions.

c. Employees' Retirement System of the City of St. Louis

1) System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' Retirement System upon employment with the exception of employees hired after attaining age 60.

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The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

The Employees' System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees' System after the employee has attained five years of creditable service. The board of trustees approves all withdrawals, benefits, and termination refunds from the Employees' System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceeds 85. Employees may retire and receive reduced benefit after age 60, with five years of creditable service; age 55, with at least 20 years of creditable service; or at any age after 30 years of creditable service.

On June 8, 2000, the mayor of the City approved an ordinance passed by the board of aldermen, which established a DROP effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after entry into DROP. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy

Employer contribution rates are established annually by the board of trustees based on an actuarial study. Deductions from plan net assets are financed from plan additions. The board of trustees established the required employer contributions at a rate of 13.19% effective July 1, 2005 and 13.53% of active member payroll effective July 2004. The City contributed 6% of active member payroll effective July 2003 through the present.

Employees who became members of the Employees' System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees' System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Voluntary contributions of employees who enrolled in the Employees' System after October 13, 1977 may be made up to 6% of qualified employee compensation for the remainder of the calendar year. These voluntary contributions vest immediately.



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3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2006, are as follows:

Annual required contribution	\$ (29,243)
Interest on net pension obligation	(3,788)
Adjustment to annual required contribution	4,207
Annual pension cost	<u>(28,824)</u>
Contributions made	<u>15,148</u>
Increase in net pension obligation	(13,676)
Net pension obligation, beginning of year	<u>(47,358)</u>
Net pension obligation, end of year	<u><u>\$ (61,034)</u></u>

The net pension obligation of \$(61,034) is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	\$ (43,488)
Business-type activities	(11,604)
Component unit—SLPD	<u>(5,942)</u>
	<u><u>\$ (61,034)</u></u>

Historical trend information about the City's participation in the Employees' System is presented below.

<b>Fiscal Year</b>		<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>			<b>Net Pension Obligation</b>
2006	\$	28,824	53	%	\$	(61,034)
2005		30,665	42			(47,358)
2004		31,837	41			(29,682)

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Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Projected unit credit
Amortization method and remaining period	Level dollar amount for unfunded liability, open 30 years as of October 1, 2005
Remaining amortization period	
Actuarial value of assets	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.
Investment rate of return	8.00%
Projected salary increases	3.825% to 7.255%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

*d. Component Unit—SLDC*

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2006 contributions of \$267, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2006, SLDC's current covered payroll was \$2,971 and total payroll amounted to \$3,129. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5 ½ % of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

11. COMPONENT UNIT—SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,208 retirees, while 1,297 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 12.6 cents for every \$1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was \$3,881 (in dollars) per retiree for healthcare and \$10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2006.

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12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2006:

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2006</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 48,465	—	(3,245)	45,220	3,400
Section 108 Loan Guarantee					
Assistance Programs	68,220	—	(4,550)	63,670	4,850
Federal Financing Bank advances	765	—	(40)	725	45
Tax increment financing bonds					
and notes payable	41,678	30,043	(1,935)	69,786	2,997
Master note purchase agreement	121	—	(40)	81	
Loan agreement with Missouri					
Department of Natural Resources	1,473	782	(338)	1,917	459
Loan agreement with Metro	1,000	—	—	1,000	1,000
Capital lease—rolling stock	5,970	1,990	(754)	7,206	1,877
Capital leases—Obligations with					
component units	51,015	—	(420)	50,595	440
Leasehold revenue improvement and					
refunding bonds	340,899	15,485	(32,915)	323,469	20,620
Joint venture financing agreement	68,376	—	(1,053)	67,323	3,261
Unamortized discounts, premiums,					
and deferred amounts on refunding	(432)	(556)	2	(986)	—
Net pension obligation	47,231	15,480	—	62,711	—
Accrued vacation, compensatory,					
and sick time benefits	27,339	13,771	(15,267)	25,843	16,746
Landfill closure	243	—	(15)	228	228
Claims and judgments payable	17,404	14,161	(14,546)	17,019	9,561
Governmental activities long-term					
liabilities	\$ 719,767	91,156	(75,116)	735,807	65,484

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Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2006</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
Airport:					
Revenue bonds payable	\$ 894,735	263,695	(297,345)	861,085	13,960
Net pension obligation	4,650	1,594	—	6,244	—
Other	2,004	—	(354)	1,650	—
Accrued vacation, compensatory, and sick time benefits	5,065	3,214	(3,106)	5,173	5,173
Unamortized discounts, premiums, and deferred amounts on refunding	(261)	15,710	320	15,769	—
Total Airport	<u>906,193</u>	<u>284,213</u>	<u>(300,485)</u>	<u>889,921</u>	<u>19,133</u>
Water Division:					
Revenue bonds payable	34,320	—	(2,500)	31,820	2,645
Customer deposits	1,618	286	—	1,904	—
Net pension obligation	3,079	991	—	4,070	—
Other	396	—	(53)	343	—
Accrued vacation, compensatory, and sick time benefits	3,429	1,251	(1,485)	3,195	3,195
Unamortized discounts, premiums, and deferred amounts on refunding	(1,378)	—	261	(1,117)	—
Total Water Division	<u>41,464</u>	<u>2,528</u>	<u>(3,777)</u>	<u>40,215</u>	<u>5,840</u>
Parking Division:					
Revenue bonds payable	66,264	—	(1,727)	64,537	1,582
Net pension obligation	934	356	—	1,290	—
Accrued vacation, compensatory, and sick time benefits	161	362	(328)	195	195
Unamortized discounts, premiums, and deferred amounts on refunding	(2,528)	—	152	(2,376)	—
Total Parking Division	<u>64,831</u>	<u>718</u>	<u>(1,903)</u>	<u>63,646</u>	<u>1,777</u>
Business-type activities long-term liabilities	<u>\$ 1,012,488</u>	<u>287,459</u>	<u>(306,165)</u>	<u>993,782</u>	<u>26,750</u>

b. General Obligation Bonds

In June 1999, the City issued \$65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of \$64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of \$695 sold to yield 5.15% and mature at \$3,655 (collectively, the

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Series 1999 bonds). The proceeds of the Series 1999 bonds are being used as follows: (i) \$44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) \$10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) \$11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

On June 15, 2005, the City issued \$37,555 in General Obligation Refunding Bonds, Series 2005, with an average interest rate of 4.48% to refund \$37,710 in outstanding Series 1999 General Obligation Bonds with an average interest rate of 5.09%. The net proceeds of \$39,621 (after the addition of a \$2,645 premium and less a payment of \$550 in issuance costs and a \$29 discount), along with \$642 of City funds, were deposited with the Escrow Agent to be applied on June 16, 2005 to the redemption of the Series 1999 bonds. After the refunding transaction, \$10,215 in current interest Series 1999 bonds and \$695 in capital appreciation Series 1999 bonds remained outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,911. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through year 2019 using the straight-line method, which approximates the effective interest method.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 3,400	2,020	5,420
2008	3,570	1,856	5,426
2009	695	4,640	5,335
2010	3,085	1,680	4,765
2011	3,195	1,579	4,774
2012 – 2016	18,125	5,803	23,928
2017 – 2019	13,150	1,264	14,414
	<u>\$ 45,220</u>	<u>18,842</u>	<u>64,062</u>

c. Section 108 Loan Guarantee Assistance Programs

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- \$50,000 for Downtown Convention Headquarters Hotel project
- \$20,000 for Darst-Webbe Housing Redevelopment project
- \$10,000 for neighborhood projects

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During 2001, the City issued a note in the amount of \$50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received \$5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The \$50,000 note is intended to spur redevelopment in the downtown area. The \$50,000 note is a 20-year note at a variable rate of interest. The \$5,000 received during 2001 was an advance funding draw note related to the \$20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining \$15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the \$10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

The five-year, \$10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment is due during fiscal 2007.

Principal and interest requirements for the combined Section 108 program notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 4,850	3,756	8,606
2008	2,740	3,557	6,297
2009	2,920	3,402	6,322
2010	3,110	3,234	6,344
2011	3,300	3,051	6,351
2012 – 2016	19,840	11,956	31,796
2017 – 2021	26,910	4,623	31,533
	<u>\$ 63,670</u>	<u>33,579</u>	<u>97,249</u>

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of \$1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

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Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 45	48	93
2008	50	45	95
2009	50	42	92
2010	55	38	93
2011	60	35	95
2012 – 2016	375	101	476
2017	90	3	93
	<u>\$ 725</u>	<u>312</u>	<u>1,037</u>

e. Tax Increment Financing Bond and Notes Payable

In 1991, the City issued \$15,000 in tax increment financing (TIF) bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any moneys legally available in the City's general fund. During 2005, \$620 of payments in lieu of taxes and \$679 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City moneys are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2006, the City had \$69,786 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.75% to 9.5%, payable in various installments through 2026. The City issued \$30,043 in TIF bonds and notes payable during fiscal year 2006.

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Principal and interest requirements for the tax increment financing debt issues are as follows:

	<b>Series 91 TIF Bonds</b>		<b>TIF Bonds and Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2007	\$ 1,160	647	1,837	4,555
2008	1,275	525	1,970	4,422
2009	1,405	391	2,112	4,279
2010	1,545	244	2,266	4,125
2011	1,665	83	2,418	3,961
2012 – 2016	—	—	13,329	17,000
2017 – 2021	—	—	16,725	11,851
2022 – 2026	—	—	19,949	5,045
2027 – 2028	—	—	2,130	264
	<u>\$ 7,050</u>	<u>1,890</u>	<u>62,736</u>	<u>55,502</u>

f. Master Note Purchase Agreement

In February 2000, the SLMFC, the City, and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low-interest, second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of \$250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowners as payment for the Fannie Mae \$1,250 loan. The SLMFC obligation is limited to the moneys in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners.

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of \$460 from SLMFC. The amendment required the City to provide an additional deposit of \$130 into a Series 2001 Note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of \$650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. As of June 30, 2006, the balance of the note outstanding is \$81.

g. Loan Agreement with Missouri Department of Natural Resources (DNR)

In July 2001, the City agreed to enter into a loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$2,000 at an annual interest rate of



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4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of \$1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of \$395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR.

In December 2005, the City entered into another agreement with the Missouri DNR (pursuant to the Energy Efficiency Leverage Loan Program) for the amount of \$782 of which \$9 was loan origination fee and the remaining \$773 was the actual proceeds. The proceeds will be utilized for the purchase and installation of signal and walk lights throughout various locations in the City. The payments are due in semi-annual installments from 2007 to 2013 with an annual interest rate of 2.85%.

Principal and interest requirements under the loan agreement with the DNR are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 459	68	527
2008	481	47	528
2009	499	28	527
2010	158	13	171
2011	125	8	133
2012 – 2013	195	6	201
	<u>\$ 1,917</u>	<u>170</u>	<u>2,087</u>

h. Loan Agreement Metro

In July 2004, the City entered into an agreement with Bi-State Development Agency of Missouri-Illinois Metropolitan District doing business as Metro. The agreement provided for Metro to advance the City \$1,000, interest free, for the replacement of the Landowne Bridge over River Des Peres. The City agreed to repay Metro on December 31, 2006 by appropriating funds in fiscal years 2005 and 2006.

Principal and interest requirements under the loan agreement with Metro are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 1,000	—	1,000
	<u>\$ 1,000</u>	<u>—</u>	<u>1,000</u>

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i. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2006:

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2006</b>	<b>Due Within One Year</b>
Due to other governmental agencies	\$ 9,093	821	1,128	8,786	1,448
Notes payable	7,081	19	5,027	2,073	72
Other liabilities	2,452	2,706	1,415	3,743	1,569
Revenue bonds	13,060		285	12,775	310
	<u>\$ 31,686</u>	<u>3,546</u>	<u>7,855</u>	<u>27,377</u>	<u>3,399</u>

Maturities on notes payable are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2007	\$ 73	3	76
2008	—	—	—
2009	—	—	—
2010	2,000	—	2,000
	<u>\$ 2,073</u>	<u>3</u>	<u>2,076</u>

Revenue bonds outstanding at June 30, 2006 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of \$2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%

The Series 1999B bonds with an original issue amount of \$8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East Parking Garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

The Series 1999C bonds with an original issue amount of \$3,040 are due September 1, 2024. Bond proceeds were to repay an LCRA note payable and construct a parking lot on property in the St. Louis Centre Development Area. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a

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determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%.

Debt service requirements to maturity for SLDC revenue bonds are as follows:

	<b>Series 1999A</b>		<b>Series 1999B</b>		<b>Series 1999C</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
Year ending						
June 30:						
2007	\$ 310	115	—	569	—	214
2008	335	86	—	569	—	214
2009	365	55	—	569	—	214
2010	425	19	220	562	—	214
2011	—	—	430	541	—	214
2012 – 2016	—	—	2,580	2,228	—	1,072
2017 – 2021	—	—	5,070	969	—	1,072
2022 – 2025	—	—	—	—	3,040	478
	<u>\$ 1,435</u>	<u>275</u>	<u>8,300</u>	<u>6,007</u>	<u>3,040</u>	<u>3,692</u>

j. Component Unit— SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2006:

	<b><u>Balance June 30, 2005</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance June 30, 2006</u></b>	<b><u>Due Within One Year</u></b>
Accrued banked overtime, vacation, and sick time leave	\$ 27,725	7,224	6,912	28,037	5,875
Capital lease obligation	4,342	109	1,262	3,189	1,280
Workers' compensation	45,968	—	5,182	40,786	4,900
Net pension obligation	4,362	1,580	—	5,942	—
	<u>\$ 82,397</u>	<u>8,913</u>	<u>13,356</u>	<u>77,954</u>	<u>12,055</u>

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*Police Patrol Buildings*

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued \$13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). In February 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued \$6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds). Proceeds from the Series 2003 bonds were used to defease the previously issued Series 1994 Bonds.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 1,255	55	1,310
2008	1,945	21	1,966
	<u>3,200</u>	<u>76</u>	<u>3,276</u>
Unamortized premium	31		
Unamortized deferred amount on refunding	(93)		
	<u>\$ 3,138</u>		

*Automotive Equipment*

In September 2005, the SLPD entered into a lease-purchase agreement for the purchase of automotive equipment. Upon conclusion of the lease, the SLPD will attain title to the equipment. The SLPD's future lease payments under this lease-purchase are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 25	3	28
2008	26	1	27
	<u>\$ 51</u>	<u>4</u>	<u>55</u>

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14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of \$9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of \$7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%.

In June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

On July 7, 2004, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$851 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2005 through 2007 with an annual interest rate of 3.19%.

In September 2005, the City amended its capital lease agreement with Chase Equipment Leasing Inc. resulting in new debt of \$942. This capital lease agreement is included as part of the capital lease agreement entered into in March of 2000. The proceeds of the lease are to be used to purchase computer equipment. The lease agreement payments are due in semi annual installments from 2006 through 2009 with an annual interest rate of 3.9%.

In February 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$1,048. The proceeds of the lease are to be used to purchase equipment for a new 911 emergency system. The lease agreement payments are due in semi annual installments from 2007 to 2011 with an annual interest rate of 4.88%.

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Principal payments of \$754 were made on these lease agreements in fiscal year 2006. The following is a schedule of future minimum lease payments as of June 30, 2006.

Year ending June 30:		
2007	\$	2,176
2008		1,360
2009		1,042
2010		750
2011		627
2012 – 2016		1,939
2017 – 2018		776
Total future minimum lease payments		8,670
Amount representing interest		(1,464)
Present value of net minimum lease payments	\$	<u>7,206</u>

Capital assets (equipment) of \$12,648 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Lease—Kiel Site Project—Obligation with Component Unit

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of \$13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

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The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2006.

Year ending June 30:		
2007	\$	970
2008		973
2009		970
2010		944
2011		996
2012 – 2016		4,834
2017 – 2021		5,048
2022		980
Total future minimum lease payments		15,715
Amount representing interest		(5,120)
Present value of net minimum lease payments	\$	<u>10,595</u>

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for demolition and site preparation.

c. Capital Lease—Convention Center Hotel—Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of \$40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

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The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2006.

Year ending June 30:		
2007	\$	—
2008		—
2009		—
2010		—
2011		3,525
2012 – 2016		35,575
2017 – 2020		61,180
Total future minimum lease payments		100,280
Amount representing interest		(60,280)
Present value of net minimum lease payments	\$	<u>40,000</u>

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for construction of a convention center hotel that is not owned by the City.

**15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS**

**a. Civil Courts**

On June 1, 2003, the SLMFC issued \$23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund \$22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of \$24,434 (after the addition of a \$1,811 premium less a payment of \$777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds.

**b. Convention Center**

On July 15, 1993, SLMFC issued \$144,362 in Leasehold Revenue Refunding Bonds (Series 1993A Bonds). The Series 1993A Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds (\$51,330 serial bonds and \$90,465 term bonds) and compound interest bonds with an initial offering price of \$2,567 and a final maturity amount on July 15, 2014 of \$9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A Bonds are paid for in the City's general fund.



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On April 15, 2003, the SLMFC issued \$118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund the current interest bonds portion of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of \$125,373 (after the addition of a \$9,439 premium less a payment of \$2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement, and were applied on July 15, 2003 to the redemption of the \$119,960 of Series 1993A current interest leasehold revenue bonds. Thus, as of June 30, 2006, only the compound interest bonds of the Series 1993A Bonds remain outstanding.

On May 26, 2005, the SLMFC issued Series 2005A and B Compound Interest Leasehold Revenue Bonds in the amount of \$44,998 for the purpose of providing funding for the construction of the Convention Center Hotel, in addition to making debt service payments for other ongoing projects, within the vicinity of the Convention Center. Principal payments plus compounded interest (4.66%) will be made July 15, 2021 through 2030. The final maturity amounts on bonds are \$54,050 and \$62,430 for the Series 2005A and 2005B, respectively.

c. Justice Center

In August 1996, the SLMFC issued \$75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and \$34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of \$20,155 and term bonds in the principal amount of \$55,550. The Series 1996B Bonds include serial bonds in the principal amount of \$23,500 and term bonds in the principal amount of \$10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC Financial Group, Inc. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City's justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued \$22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment

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prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time, in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

On September 1, 2001, the SLMFC issued \$62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund \$58,115 of Series 1996A Bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

On September 1, 2005, the SLMFC issued \$15,485 in Justice Center Leasehold Revenue Refunding Bonds, Series 2005 with an average interest rate of 4.56% to advance refund \$14,360 in Series 2000A Leasehold Revenue Bonds with an average interest rate of 6.09%. The net proceeds of \$15,421 were used to purchase investments that mature at such times in amounts that will be sufficient to pay the principal of, redemption premium, if any, and accrued interest on the Series 2000A refunded bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,061. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2020 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 2000A bonds to reduce its total debt service payments over the next 10 years by approximately \$528 and to obtain an economic gain of \$518.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund.

d. Forest Park

On December 1, 2004, the SLMFC issued \$16,400 in Leasehold Revenue Refunding Bonds (Series 2004) with an average interest rate of 4.23% to advance refund \$16,120 of outstanding Series 1997 Forest Park Leasehold Revenue Improvement Bonds with an average interest rate of 5.45%. The net proceeds of \$16,349 (after the addition of a \$428 premium and less a payment of \$479 in issuance costs) plus \$717 in City funds were deposited with the escrow agent under the escrow deposit agreement, and, together with interest earnings thereon, be applied to the payment of principal, premium, if any, and interest on the Series 1997 Bonds to their stated maturity or their February 15, 2006 redemption date, as the case may be. As a result, the Series 1997 bonds are considered defeased, and the liability for those bonds have been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$938. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through the year 2022 using the straight-line method, which approximates the effective interest method.

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e. Firemen's System

On April 1, 1998, the SLMFC issued \$28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation, to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds were used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

f. Carnahan Courthouse

On April 1, 2002, the SLMFC issued \$21,750 in Leasehold Revenue Bonds, Series 2002A (Series 2002A Bonds). The bonds include serial bonds in the principal amount of \$12,310, and term bonds in the amount of \$9,440. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund prior to their stated maturity date of February 15, 2027. The mandatory redemption begins February 15, 2023 and each February 15th thereafter, including February 15, 2027. The proceeds of the Series 2002A bonds are being used to finance the acquisition and renovation of the Carnahan Courthouse.

The City's payments are secured by a pledge agreement between the City and the Series 2002A Bonds trustee. The City's payments are further insured by the Financial Guaranty Insurance Company (FGIC). Interest rates on the bonds range from 4.81% to 5.40%.

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g. Principal and Interest Requirements

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	<b>Civil Courts</b>			<b>Firemen's System</b>	
	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>
Year ending June 30:					
2007	\$ 1,985	769	\$	2,325	784
2008	2,075	677		2,475	629
2009	2,155	589		2,635	465
2010	2,255	493		2,805	288
2011	2,360	381		2,990	98
2012 – 2015	7,730	466		—	—
	<u>\$ 18,560</u>	<u>3,375</u>	\$	<u>13,230</u>	<u>2,264</u>
	<b>Justice Center</b>			<b>Forest Park</b>	
	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>
Year ending June 30:					
2007	\$ 5,980	5,144	\$	740	632
2008	6,285	4,836		760	610
2009	6,620	4,507		785	587
2010	6,925	4,202		805	563
2011	7,250	3,875		835	533
2012 – 2016	45,310	12,803		4,665	2,187
2017 – 2021	25,555	2,190		5,780	1,069
2022	—	—		1,315	56
	<u>\$ 103,925</u>	<u>37,557</u>	\$	<u>15,685</u>	<u>6,237</u>

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	<b>Carnahan Courthouse</b>			<b>Convention Center</b>	
	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>
Year ending June 30:					
2007	\$ —	1,139	\$	9,590	4,764
2008	—	1,139		13,445	4,277
2009	—	1,139		11,675	3,688
2010	—	1,139		12,915	3,094
2011	—	1,139		14,035	2,428
2012 – 2016	3,320	5,509		43,662	11,012
2017 – 2021	6,885	4,045		3,459	3,815
2022 – 2026	8,825	2,099		25,177	35,488
2027 – 2030	2,710	140		16,371	32,179
	<u>\$ 21,740</u>	<u>17,488</u>	\$	<u>150,329</u>	<u>100,745</u>

16. JOINT VENTURE FINANCING AGREEMENT

a. St. Louis Regional Convention and Sports Complex Authority (Authority)

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 1991 Bonds and Series C 1997 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of \$60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's \$132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's \$65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds, and the Series C 1991 Bonds (collectively, the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project).

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of \$61,285. The proceeds were used to refund, in advance of maturity, \$47,155 of the Series C 1991 bonds. A portion of the Series C 1991 Bonds maturing on August 15, 2021 are not subject to optional redemption and \$8,820 remain outstanding. Approximately \$2,100 of the proceeds was used for various project improvements.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the

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Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed o t be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of \$2,500 and preservation payments of \$500 regardless of the principal and interest payments due.

At June 30, 2006, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Preservation Payments</u>	<u>Total</u>
Year ending June 30:				
2007	\$ 2,200	2,739	1,061	6,000
2008	2,310	2,630	1,060	6,000
2009	2,420	2,513	1,067	6,000
2010	2,540	2,387	1,073	6,000
2011	2,670	2,252	1,078	6,000
2012 – 2016	15,650	8,893	5,457	30,000
2017 – 2021	20,300	4,130	5,570	30,000
2022	4,725	133	(1,858)	3,000
	<u>\$ 52,815</u>	<u>25,677</u>	<u>14,508</u>	<u>93,000</u>

Series C Bonds' principal and the preservation payments are included in the City's basic financial statements as a long-term liability.

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17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2006 are summarized as follows:

Bond Series 1996, interest rates ranging from 5.25% to 5.35%, payable in varying amounts through 2008	\$ 8,340
Bond Series 1997, interest rates ranging from 5.25% to 6%, payable in varying amounts through 2028	149,435
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016	59,090
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2027	209,205
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.50% to 5.50%, payable in varying amounts through 2033	100,980
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019	70,340
Bond Series 2005, interest rate ranging from 4.00% to 5.50%, payable in varying amounts through 2032	263,695
	<u>861,085</u>
Less:	
Current maturities	(13,960)
Unamortized discounts and premiums	41,943
Deferred amounts on refunding	(26,174)
	<u>\$ 862,894</u>

On July 7, 2005, the Airport issued \$263,695 in Series 2005 Revenue Refunding Bonds with an average interest rate of 5.47 percent to advance refund \$37,575 of outstanding 1997A Series Revenue Refunding bonds, \$225,980 of outstanding 2001A Series Revenue Refunding bonds, and \$10,400 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.31 percent. The net proceeds of \$293,331 (after the addition of a net issue premium of \$39,522 and payment of \$9,886 in underwriting fees, insurance and other issuance costs) plus an additional \$6,095 of 1997A and 2001A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2006, \$37,575 of 1997A Series Revenue Refunding bonds, \$225,980 of 2001A Series Revenue Refunding bonds, and \$10,400 of 2002A Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$23,812. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt

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service payments over the next 25 years by \$16,536 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,432.

The deferred amounts on refunding of \$26,174 at June 30, 2006, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1997A, Bond Series 2001A, Bond Series 2002A, Bond Series 2003A, and Bond Series 2003B and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2006.

As of June 30, 2006, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 13,960	44,723	58,683
2008	25,090	43,810	68,900
2009	21,725	42,667	64,392
2010	21,670	41,530	63,200
2011	24,015	40,317	64,332
2012 – 2016	172,030	177,690	349,720
2017 – 2021	181,790	128,534	310,324
2022 – 2026	178,415	82,033	260,448
2027 – 2031	178,875	35,000	213,875
2032 – 2033	43,515	1,493	45,008
	<u>\$ 861,085</u>	<u>637,797</u>	<u>1,498,882</u>

In the current and prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2006, \$332,640 of outstanding revenue bonds are considered defeased.



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b. Water Division

Water revenue bonds outstanding at June 30, 2006 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1994 Water Revenue Bonds, 5.85% to 5.95%, Payable in varying amounts through July 1, 2006	\$ 2,645
Series 1998 Water Revenue Bonds, 4.1% to 4.75% Payable in varying amounts through July 1, 2014	29,175
	<u>31,820</u>
Less:	
Current maturities	(2,645)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds	(1,046)
Unamortized discounts	(71)
	<u>\$ 28,058</u>

Debt service requirements to maturity of the 1994 and 1998 Water Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 2,645	1,286	3,931
2008	2,850	1,169	4,019
2009	3,300	1,032	4,332
2010	3,440	887	4,327
2011	3,585	732	4,317
2012-2015	16,000	1,162	17,162
	<u>\$ 31,820</u>	<u>6,268</u>	<u>38,088</u>

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c. Parking Division

Revenue bonds outstanding at June 30, 2006 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 4.2% to 5.375%, payable in varying amounts through 2021	\$	22,085
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021		9,805
Series 2002 Revenue Bonds, interest rates ranging from 5.50% to 7.25% payable in varying amounts through 2028		20,170
SLPCFC Series 2003A tax exempt revenue bonds interest rates variable not to exceed 12% payable in varying amounts through 2028		5,745
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceed 5% payable in varying amounts through 2038		6,732
		<u>64,537</u>
Less:		
Current maturities		(1,582)
Unamortized discount and deferred loss on refunding		(2,376)
	\$	<u><u>60,579</u></u>

Debt service requirements for the Parking Division revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 1,582	3,503	5,085
2008	1,635	3,412	5,047
2009	2,051	3,305	5,356
2010	2,179	3,182	5,361
2011	2,318	3,057	5,375
2012 – 2016	13,921	13,178	27,099
2017 – 2021	18,192	8,870	27,062
2022 – 2026	14,792	3,761	18,553
2027 – 2031	4,914	1,306	6,220
2032 – 2036	2,113	529	2,642
2037 – 2038	840	62	902
	<u>\$ 64,537</u>	<u>44,165</u>	<u>108,702</u>

**City of St. Louis, Missouri**  
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18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2006 was as follows:

	<b>Balance June 30, 2005</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Balance June 30, 2006</b>
Tax revenue anticipation notes	\$ —	45,000	(45,000)	—

b. Airport

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed \$125,000 outstanding at any one time. As of June 30, 2006, commercial paper of \$1,000 was outstanding. This commercial paper bore interest at rate of 3.64% and was due on July 5, 2006.

Following is a summary of the changes in commercial paper payable for the Airport for the year ended June 30, 2006:

	<b>Balance June 30, 2005</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Balance June 30, 2006</b>
Commerical paper payable	\$ 1,000	4,000	(4,000)	1,000

19. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport, Water Division, and Parking Division have entered into 11 forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport, Water Division, and Parking Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

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b. Terms

The terms of Airport forward purchase agreements I – VI are as follows:

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003, as amended July 2005	December 2003	December 2003, as amended July 2005
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997 A, Series 2005 debt service reserve	Series 1997B debt service	Series 2001A, Series 2005 debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.34%	5.35%	5.432%
Lump sum payment received at beginning of agreement	\$7,209	N/A	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	2027	2008	2027	2027	2031
Notional amount (representing balance in applicable accounts)	\$5,387	\$14,970	\$7,034	\$6,875	\$20,494	\$13,333
Obligation (representing the unamortized portion of lump sum payment) recorded on the statement of fund net assets at June 30, 2005	\$1,032	N/A	N/A	N/A	N/A	N/A

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The terms of Airport forward purchase agreements VII - IX, the Water Division forward purchase agreement, and the Parking Division forward purchase agreement are as follows:

	<u>Airport VII</u>	<u>Airport VIII</u>	<u>Airport IX</u>	<u>Water Division</u>	<u>Parking Division</u>
Date of origin	December 2003, as amended July 2005	December 2003	December 2003	February 1996	August 1997
Underlying bond account(s)	Series 2002A debt service	Series 2002B debt service	Series 2003A debt service reserve	Series 1994 and Series 1998 debt service	Series 1996 debt service reserve and parking trust fund
Guaranteed interest rate	5.473%	5.332%	5.579%	6.20%	5.51%
Lump sum payment received at beginning of agreement	N/A	N/A	N/A	\$941	N/A
Date of termination (upon maturity of bond series)	2032	2032	2018	2014	2021
Notional amount (representing balance in applicable accounts)	\$2,831	\$1,389	\$1,698	\$3,559	\$7,742
Obligation (representing the unamortized portion of the initial lump sum payment) recorded on the statement of fund net assets	N/A	N/A	N/A	\$343	N/A

In July 2005, forward purchase agreements IV, VI, VII were amended to replace Bond Series 1997A, Bond Series 2001A, and Bond Series 2002A, respectively, with Bond Series 2005 bonds defeased with the issuance of the Series 2005 Bonds. No payments were made in consideration of this amendment.

For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump-sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced.

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These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

For Airport forward purchase agreements II through IX and the Parking Division forward purchase agreement, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2006, these fair values are as follows:

Agreement	Fair Value
Airport II	\$ 2,963
Airport III	267
Airport IV	57
Airport V	240
Airport VI	1,050
Airport VII	182
Airport VIII	45
Airport IX	208
Parking Division	348

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2006 for a U.S. Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2006 for a U.S. Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport, the Water Division, and the Parking Division to the financial institutions as of June 30, 2006. Should the financial institutions fail to perform according to the terms of the agreement, the Airport, the Water

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Division and the Parking Division face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

The forward purchase agreement exposes the Airport, the Water Division, and the Parking Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, the Water Division, or the Parking Division, would realize this increase in investment earnings.

f. Termination Risk

Should the Airport, the Water Division, or the Parking Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination.

20. OPERATING LEASES

- a. At June 30, 2006, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:

2007	\$ 995
2008	785
2009	594
2010	466
2011	433
2012 – 2016	2,372
2017 – 2021	538
2022 – 2026	250
2027 – 2028	88
	<u>\$ 6,521</u>

b. Airport – Use Agreements and Leases with Signatory Air Carriers

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with signatory air carriers that expires on June 30, 2011. The previous long-term use and lease agreements with signatory air carriers expired on December 31, 2005.

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Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue—airfield.
- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue—terminal and concourses, hangars and other buildings, or cargo buildings, respectively.
- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2006, revenues from signatory air carriers accounted for 60% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2006:

	<b>Signatory</b>	<b>Non- signatory</b>	<b>Total</b>
Airfield	\$ 41,721	8,068	49,789
Terminal and concourses	21,498	729	22,227
Hangars and other buildings	1,052	30	1,082
Cargo buildings	1,339	26	1,365
	<u>\$ 65,610</u>	<u>8,853</u>	<u>74,463</u>



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The Airport also leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancellable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year ending June 30:	
2007	\$ 17,503
2008	17,225
2009	13,032
2010	7,950
2011	6,731
2012 – 2016	12,644
2017 – 2021	4,719
2022 – 2026	3,576
2027 – 2031	3,562
2032 – 2036	<u>2,493</u>
Total minimum future rentals	<u>\$ 89,435</u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$24,527 for the year ended June 30, 2006.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2010. Expenses for operating leases and service agreements were \$993 for the year ended June 30, 2006. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:	
2007	\$ 141
2008	111
2009	57
2010	<u>30</u>
Total minimum future rentals	<u>\$ 339</u>

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c. Component Unit—SLDC

In December 1996, SLDC signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of \$38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to \$47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017.

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:

2007	\$ 255
2008	255
2009	255
2010	255
2011	255
2012 – 2016	1,475
2017	200
	<hr/>
	\$ 2,950
	<hr/>

Rent expenditures, net rents received of \$442, were \$309 during the year ended June 30, 2006.

Additionally, at June 30, 2006, SLDC was committed for approximately seven years under an original 25-year operating lease with the City, which requires annual rental payments of \$1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

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21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2006 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Special revenue—grants fund	\$ 8,080
	Capital projects fund	5,185
	Enterprise:	
	Airport	1,660
	Water Division	802
	Parking Division	1,238
	Internal service funds	2,299
		<u>19,264</u>
Other governmental nonmajor funds	General fund	266
	Capital projects fund	56
	Other governmental nonmajor funds	699
		<u>1,021</u>
Internal service funds	General fund	249
	Enterprise:	
	Airport	1,576
	Water Division	1,923
	Parking Division	190
		<u>3,938</u>
		<u>\$ 24,223</u>

All of these interfund balances are due to either timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2007.

Advances to/from other funds as of June 30, 2006 are as follows:

General fund (Advance to internal service fund)	\$12,700
Internal Service fund (Advance from General fund)	12,700

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22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006 consisted of the following:

		Transfer To				
			Capital projects fund	Other Governmental Funds	Parking Division	
		General fund				Total
Transfer From	General fund	\$ —	1,495	1,459	—	2,954
	Other Governmental Funds	10,043	8,345	74	1,092	19,554
	Airport	5,407	—	—	—	5,407
	Water Division	2,561	—	—	—	2,561
	Parking Division	525	—	—	—	525
		\$ 18,536	9,840	1,533	1,092	31,001

Interfund transfers were used to: (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

23. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant moneys in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program moneys. Through June 30, 2006, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

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b. Landfill Closure

Pursuant to the original agreement between the DNR and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of \$4,174 with DNR as the beneficiary. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2006, no amounts had been drawn against the letter of credit by DNR. At June 30, 2006, \$228 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. Additionally, in January 2006 the City and DNR executed a revised agreement that will require the City to complete its landfill closure efforts by December 31, 2006 in order to avoid any further fines or penalties.

c. Commitments

At June 30, 2006, the City had outstanding commitments amounting to approximately \$82,707, resulting primarily from service agreements.

Additionally, at June 30, 2006, the Airport had outstanding commitments amounting to approximately \$54,200 resulting primarily from contracts for construction projects both related and unrelated to the W-1W expansion project.

d. American Airlines, Inc.

American Airlines, Inc. (American) represents the major air carrier providing air passenger service at the Airport. American provided 26% of the Airport's total operating revenues and 43% of total revenues from signatory air carriers for the fiscal year ended June 30, 2006. Airport accounts receivable at June 30, 2006 contained \$1,906 relating to amounts owed to the Airport by American. This amount includes \$958 of unbilled aviation revenues at June 30, 2006.

No assurance can be given as to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport; (2) national and international political and economic conditions, including the effects of the terrorist attacks of September 11, 2001, or any future attacks; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control system; and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the risk of significant variance in Airport revenues is mitigated by the Airport use agreement, concession agreements, and other leases, which contain minimum annual revenue guarantees.

Use Agreement with American

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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the Airport, together with related personal property and leasehold interest in a hangar, office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates that represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if American fails to make a payment of any rents, fees, or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was \$3,804 for the year ended June 30, 2006. The agreement expired on December 31, 2005.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the FAA for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed \$2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21<sup>st</sup> century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of the Airport's existing runway and taxiway system.

The construction for this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds. During fiscal year 2001, the Series 2000 LOI Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 LOI Double Barrel Revenue Bonds and to provide additional financing for the project.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport.

Land acquisition activities relative to the expansion project are underway with approximately 1,903 parcels to be acquired. As of October 2, 2006, 1,903 offers have been extended; of these, 1,889 offers have been accepted; of these, 1,881 real estate transactions have been closed; of these, 1,854 properties have been vacated by the sellers and are in the possession of the Airport; and of these, 1,717 homes have been demolished.

Additionally, the Airport has entered into various construction contracts related to the expansion project.

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f. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

g. Component Unit—SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs. The purpose of these grants and contracts is to provide support for economic development in the City.

SLDC has been awarded federal tax credits through the U.S. Department of Treasury's New Markets Tax Credit Program to support \$52,000 in private investments in low-income areas. No funds have been disbursed related to these tax credits as of June 30, 2006.

h. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2006.

24. RISK MANAGEMENT

a. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum

**City of St. Louis, Missouri**  
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claim settlement established by state statute for such claims is \$300 per person and \$2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of \$16,668 at June 30, 2006, relating to these matters is recorded in the self insurance internal service fund—PFPC. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of HSTRC and Tower Grove Park through June 30, 2004. Effective June 13, 2004 for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of \$351 at June 30, 2006 relating to such matters is recorded in the self-insurance internal service fund—health.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2006 and, for the years ended June 30, 2006, 2005, and 2004, settlements did not exceed coverage.



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Notes to Basic Financial Statements, Continued  
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Changes in the self-insurance claims liability for the years ended June 30, 2006 and 2005 are as follows:

		<b>Beginning balance</b>	<b>Current year claims and changes in estimates</b>	<b>Claim payments</b>	<b>Ending balance</b>
2006	\$	17,404	14,161	(14,546)	17,019
2005		15,713	19,730	(18,039)	17,404

Additionally, there is a range of general liability claims outstanding, from \$5,966 to \$5,989, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimate able.

b. Component Unit—SLPD

SLPD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. A number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

During fiscal year 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, the SLPD is an agency of the state. As an agency of the state, the SLPD was covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions occurring prior to August 28, 2005. On August 28, 2005, Missouri legislations became effective modifying the coverage provided to the SLPD by the State of Missouri for general liability and various other claims and legal actions. State of Missouri Bill No. 420 provides that the State of Missouri is liable annually for funding general liability claims on an equal share basis per claim with the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, up to a maximum of \$1,000. The SLPD is covered covered by PFPC for most self-insured risks, including general liability and various other claims and legal actions, exceeding the limitations set forth by the enacted legislation. Accounting for and funding of these self-insured risks is generally covered by the City.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2006, these liabilities amounted to \$40,786 for workers' compensation. Of SLPD's total worker's compensation liability, \$33,890 has been accrued for benefits to be paid for long-term medical care for two officers seriously injured in the line of duty. Benefit payments for these two cases amounted to approximately \$1,224 for the year ended June 30, 2006.

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Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2006 and 2005 are as follows:

		<b>Beginning balance</b>	<b>Current year claims and changes in estimates</b>	<b>Claim payments</b>	<b>Ending balance</b>
2006	\$	45,968	(388)	(4,794)	40,786
2005		39,211	11,456	(4,699)	45,968

The SLPD obtains periodic funding valuations from a third-party administrator who manages workers' compensation claims to maintain the appropriate level of estimated claims liability. The SLPD also purchases excess liability coverage for workers' compensation claims.

25. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low- and moderate-income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured, and accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if moneys have not been spent) in the year of receipt.

26. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2006 could not be determined, however, the original issue amounts totaled approximately \$2 billion (in dollars).

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Notes to Basic Financial Statements, Continued  
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27. TRANSPORTATION DEVELOPMENT DISTRICT

In August 2003, the City and a hotel developer entered into an agreement for the creation of a transportation development district (TDD). The TDD is a separate political subdivision of the State. Its boundaries coincide with the property upon which the hotel developer is constructing a new 206-room hotel and 415-car garage. During 2005, the TDD issued \$6,350 in TDD obligations to finance this construction. The TDD has the authority to levy a 1% sales tax within the district in order to repay this debt, which the City collects on behalf of the TDD and remits to the TDD. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax which will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements.

Additionally, the City has agreed to pledge 75% of the City tax revenues generated within the district to the TDD in exchange for the TDD's pledge to leave at least 200 of the spaces in the parking garage available for public use.

28. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2006, the City issued \$36,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 29, 2007 and bear interest at a rate of 4.50% per year.

b. Issuance of the Convention and Sports Facility Refunding Bonds Series 2007

On October 6, 2006, the Regional Convention and Sports Complex Authority issued the Convention and Sports Facility Project Refunding Bonds Series C 2007 (sponsored by the City of St. Louis) in the amount of \$49,585. The Series 2007 Bonds will be used to provide funds to refund the Series 1997 Refunding Bonds. The Series 2007 are due in installments through February 2021 and bear interest at a rate of 5.25%.

c. Issuance of Parking Revenue Bonds

On December 14, 2006, the Parking Division issued \$57,900 in Parking Revenue Bonds consisting of Series 2006A tax-exempt bonds issued in the principal amount of \$46,250 and Series 2006B taxable bonds issued in the principal amount of \$11,650. The Series 2006 bonds are being issued for the purpose of providing funds, together with other available funds, for (a) paying cost of the Euclid/Buckingham Garage project; (b) refunding in advance of maturity \$22,085 of Parking Refunding Bonds Series 1996, \$5,840 of tax-exempt Parking Revenue Bonds, Series 1999A, \$3,965 of taxable Parking Revenue Bonds, Series 1999B bonds, \$17,865 of tax-exempt Subordinate Parking Revenue Bonds, Series 2002A and \$2,305 of taxable Subordinate Parking Revenue Bonds, Series 2002B; (c) funding debt service reserves with respect to the Series 2006 Bonds; and (d) paying the bond insurance premium and other cost of issuance for the Series 2006 Bonds. The Series 2006 Bonds mature in installments from 2007 to 2031 and bear interest at rates varying between 3.75% and 5.14%.

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d. Issuance of the Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A

On October 1, 2006, the SLMFC issued the Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A in the amount of \$23,725. The proceeds of the Series 2006A Bonds will be used to refund all of the SLMFC's outstanding Carnahan Leasehold Revenue Bonds, Series 2002. The Series 2006A Bonds are due in installments through 2027 with rates ranging from 4.0% to 4.25%.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2006, the City issued tax increment revenue notes totaling \$12,289 with interest rates ranging from 5.50% to 8.50%.

f. Rolling Stock

On September 25, 2006, the City amended its capital lease agreement to increase the capital lease by \$6,014 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in semi-annual installments from 2007 through 2012 with an annual interest rate of 4.05%.

g. Tax Increment Refunding Revenue Bonds

On October 25, 2006, the City issued tax increment refunding revenue bonds for the Southtown Redevelopment Project totaling \$6,400. The bonds will be used to refund Tax Increment Financing Notes issued for the Southtown Redevelopment Projects. The bonds mature on May 1, 2026 and bear interest at 5.125%.

h. Tax-Exempt and Tax Subordinate Increment Revenue Note

The City issued tax-exempt Subordinate Tax Increment Revenue Notes, Series 2006 for the Southtown Redevelopment Project in an aggregate principal amount of \$992 for the purpose of paying a portion of the redevelopment project costs in connection with the Southtown redevelopment plan. The tax-exempt notes have a rate of interest of 7.125% with a maturity date of July 23, 2026. The tax-exempt notes are being issued on parity with the City's \$1,342 taxable Subordinate Tax Increment Financing Revenue Notes, which will also be utilized for redevelopment cost. The taxable notes have a rate of interest of 8.5% with a maturity date of July 23, 2026.

i. Airport Commercial Paper

On July 5, 2006, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due August 7, 2006, at an annual interest rate of 3.70% for the purpose of refinancing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid August 7, 2006.

On August 7, 2006, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due October 3, 2006, at an annual interest rate of 3.58% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid on October 3, 2006.

**City of St. Louis, Missouri**  
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On October 3, 2006 the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due November 7, 2006, at an annual interest rate of 3.60% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid on November 7, 2006.

On November 7, 2006 the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due March 8, 2007, at an annual interest rate of 3.68% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

j. Issuance of General Obligation Bonds

On November 1, 2006, the City issued General Obligation Bonds totaling \$13,000. The bonds are being issued for the purposes of providing funds to (1) replace, improve, and maintain the City's radio system used by the St. Louis Police Department, Fire Department, Emergency Medical Services, and other City departments, (2) reconstruct, repair and improve major streets, bridges and the City's flood wall where federal funding is available and local funding is required, and (3) pay the costs of issuance of the bonds. The bonds have interest rates ranging from 3.750% to 4.20% with a due date of February 15, 2026.

k. Airport Revenue Refunding Bonds

In December 2006, the City authorized the issuance of Airport Revenue Refunding Bonds, Series 2006 in the aggregate principal amount of \$275,000, and Airport Revenue Refunding Bonds, Series 2007 in the aggregate principal amount of \$125,000, each to effect the refunding of a portion of the City's outstanding Airport Revenue Refunding Bonds.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, establish accounting and financial reporting standards for postemployment benefits other than pensions. GASB Statement No. 43 establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and applies to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as in stand-alone financial reports. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. GASB Statement No. 43 will be effective for the City for the fiscal year ending June 30, 2007, and GASB Statement No. 45 will be effective for the City for the fiscal year ending June 30, 2008. Management of the City has not yet completed its assessment of the statements.

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GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes criteria that will be used to determine whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that entities should not revalue assets that are transferred between the financial reporting entity components. GASB Statement No. 48 will be effective for the City for the fiscal year ending June 30, 2008. The City has not yet determined the effect that adoption of GASB Statement No. 48 may have on the financial statements.

## **APPENDIX C**

### **DEFINITIONS OF WORDS AND TERMS**

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## APPENDIX C

### DEFINITIONS OF WORDS AND TERMS

*In addition to the words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Trust Indenture, the Premises Base Lease, the Communications Property Base Lease, the Lease Purchase Agreement, the Deed of Trust and this Official Statement, unless the context clearly otherwise requires. Reference is hereby made to the Trust Indenture, the Premises Base Lease, the Communications Property Base Lease, the Lease Purchase Agreement and the Deed of Trust for the complete definitions of all terms.*

“Additional Bonds” means any additional Bonds, including refunding bonds, issued by the Corporation pursuant to the Indenture.

“Additional Rentals” means the payments payable by the City pursuant to the Lease Purchase Agreement.

“Authorized Denominations” means Five Thousand Dollars (\$5,000) or any integral multiple thereof.

“Base Lease” means, collectively, the (i) Communications Property Base Lease between the City and the Corporation, and (ii) the Premises Base Lease between the Board and the Corporation, each dated as of December 1, 2007, as from time to time supplemented and amended in accordance with the Indenture.

“Base Lease Rent” means, collectively, the items referred to as such in each of the Communications Property Base Lease and the Premises Base Lease.

“Base Lease Term” means, collectively, the term of such Communications Property Base Lease and the term of the Premises Base Lease, each commencing as of the date of the delivery of the Communications Property Base Lease and the Premises Base Lease, respectively, and ending on the date specified in the Communications Property Base Lease and the Premises Base Lease, respectively.

“Board” means the Board of Police Commissioners of the Metropolitan Police Department of the City of St. Louis, Missouri, a state agency of the State of Missouri.

“Board of Aldermen” means the Board of Aldermen of the City.

“Board Rentals” means the rent payments to be made by the Board to the City in consideration of the sublease of the Facilities by the City to the Board pursuant to the Lease Purchase Agreement, equal in amount to the portion of Capital Improvements Sales Tax revenues on deposit in the Police Department Capital Improvements Account of the Capital Improvements Sales Tax Trust Fund, that is appropriated each year by the City to the Board for such purpose, which Board Rentals have been assigned by the City to the Corporation under the Lease Purchase Agreement.

“Board Representative” means the person or persons at the time designated to act on behalf of the Board in matters not requiring legislative authorization relating to the Communications Property Base Lease, the Premises Base Lease, the Lease Purchase Agreement and the Indenture as evidenced by a written certificate furnished to the Corporation and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Board by its President and Secretary.

“Bond”, “Bonds” or “Series of Bonds” means the Series 2007 Bonds, and any Additional Bonds, authenticated and delivered under and pursuant to the Indenture.

“Bond Counsel” means an attorney or firm of attorneys with nationally recognized standing in the field of municipal bond financing approved by the Corporation and the City.

“Bond Fund” means the Leasehold Revenue Bonds Bond Fund created in the Indenture.

“Bond Register” means the register and all accompanying records kept by the Bond Registrar evidencing the registration, transfer and exchange of Bonds.

“Bond Registrar” means the Trustee when acting in such capacity under the Indenture.

“Bondholder”, “Holder” or “Registered Owner” means the registered owner of any Bond as recorded on the Bond Register.

“Business Day” means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the States of Missouri and New York are authorized by law to close.

“Capital Improvements Sales Tax” means a one-half cent sales tax imposed pursuant to Sections 94.577, Revised Statutes of Missouri, and Ordinance No. 62885, as amended by Ordinance No. 67618, approved by the voters of the City on August 23, 1993, for the purpose of funding capital improvements, and which allocated 10% of the revenues from the Capital Improvements Sales Tax to the Police Department Capital Improvements Account of the Capital Improvements Sales Tax Trust Fund.

“City” means the City of St. Louis, Missouri, a municipal corporation and political subdivision organized and existing under its Charter and the constitution and laws of the State of Missouri.

“City Representative” means the Mayor or Comptroller of the City or any other person or persons at the time designated to act on behalf of the City in matters not requiring legislative authorization relating to the Base Lease, the Lease Purchase Agreement and the Indenture as evidenced by a written certificate furnished to the Corporation and the Trustee containing the specimen signature of such person or persons and signed on behalf of the City by its Mayor and its Comptroller. For the purpose of investing the Bond proceeds the authorized City Representative shall be the Treasurer or his designee. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative.

“Closing Date” means the date of delivery of and payment for any Series of Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“Communications Property” means certain emergency management and preparedness and public health and safety projects, including certain intermodal communications equipment for the City, to be used by the City police, fire and EMS personnel, funded with the Series 2007 Bonds.

“Communications Property Base Lease” means the Communications Property Base Lease dated as of December 1, 2007 between the City and the Corporation.

“Completion Date” means the date of completion of the Project, as that date is certified as provided in the Lease Purchase Agreement and the Indenture.

“Corporation” means the St. Louis Municipal Finance Corporation, a corporation organized under the Missouri Nonprofit Corporation Act, and its successors and assigns and any surviving, resulting or transferee corporation as provided in the Lease Purchase Agreement.

“Corporation Representative” means the President or any Vice President of the Corporation or any other person or persons at the time designated to act on behalf of the Corporation in matters relating to the Base Lease, the Lease Purchase Agreement and the Indenture as evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or any Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

“Cost” or “Costs” means all Project Costs, and all reasonable and necessary expenses of or incidental to the additions, renovations or improvements to the Project directly or indirectly payable or reimbursable by the Corporation and costs reasonable and necessary and related to the authorization, sale and issuance of Bonds with respect to the Project, including but not limited to, legal, organizational, marketing or other special services; capitalized interest, financial or underwriting fees and expenses and any other fees and expenses incurred including the costs of the Credit Facility, if any; filing and recording fees; initial fees and charges of the Trustee; expenses of feasibility studies; title insurance policies and all other reasonable, necessary and incidental expenses, provided, that, any legal fees of the Corporation with respect to the Bonds shall be as pre-approved by the Comptroller prior to issuance of any Series of Bonds.

“Costs of Issuance” means all costs incurred in connection with the issuance of the Bonds, including without limitation (i) fees of the Trustee, the Corporation and the Board, (ii) financial advisor, placement agent, or other consultant fees and expenses, (iii) fees and expenses of Bond Counsels and of counsel to the Corporation, the Board, the City, the Trustee, and the original purchaser of the Bonds, (iv) fees and expenses of special counsel to the Corporation, the Board and the City, (v) accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, (vi) fees of independent certified public accounts or consultants for verification services, and (vii) initial fees for the Credit Facilities, (viii) all printing expenses in connection with the Indenture, the Base Lease, the Lease Purchase Agreement and the Bonds.

“Costs of Issuance Fund” means the Leasehold Revenue Bonds Costs of Issuance Fund created by the Indenture.

“Costs of the Project” means the portion of the reasonable and necessary expenses of or incidental to the Project directly or indirectly payable or reimbursable by the Corporation or the City from the proceeds of the Bonds.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for the City, the Board or the Corporation.

“Credit Facility” means the insurance policy issued by the Credit Facility Provider guaranteeing the scheduled payment of principal of and interest on the Series 2007 Bonds when due.

“Credit Facility Provider” means Financial Security Assurance, Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

“Dated Date” means the Dated Date on any Series of Bonds as set forth in any supplemental indenture related to such Series of Bonds. The Dated Date with respect to the Series 2007 Bonds is the date of issuance and delivery.

“Debt Service Reserve Fund” means the Leasehold Revenue Bonds Debt Service Reserve Fund created in the Indenture.

“Debt Service Reserve Fund Requirement” means with respect to the Series 2007 Bonds the policy amount of the Surety Bond delivered by the Credit Facility Provider and with respect to any other Series of Bonds the deposit into the Debt Service Reserve Fund, if any, required by the Supplemental Indenture authorizing such Series of Bonds which shall be the least of (i) the maximum annual debt service on the Bonds, (ii) 10% of the original principal amount of such Bonds or (iii) 125% of the average annual debt service requirements on the Bonds, all as determined at the time of issuance of such Series of Bonds. The Debt Service Reserve Fund Requirement may be satisfied by deposits in cash or in partial substitution or in lieu of cash by an insurance policy, letter of credit, line of credit or surety bond or similar liquidity or credit facility guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement which facility shall be issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility.

“Deed of Trust” means the Deed of Trust and Security Agreement dated as of December 1, 2007, from the Corporation as grantor to the individual mortgagee named therein as grantee, for the benefit of the Trustee, as the same may be from time to time amended in accordance with the provisions thereof.

“Defeasance Obligations” means only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasures”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasures held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasures are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S & P or any combination thereof.

“Depository” or “DTC” means Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, and its successors and assigns.

“Event of Default” means (i) with respect to the Lease Purchase Agreement any Event of Default as defined in the Lease Purchase Agreement, and (ii) with respect to the Indenture any Event of Default as defined in the Indenture.

“Event of Non-Appropriation” means the failure of the City to appropriate sufficient funds for the payment of Rentals and Additional Rentals for the succeeding Fiscal Year.

“Facilities” means the Premises, together with the capital improvements designated as “Premises Improvements”, as further described in the Lease Purchase Agreement.

“Fiscal Year” means the fiscal year now or hereafter adopted by the Corporation and, with respect to the City, its fiscal year currently beginning on July 1 of each calendar year.

“Fitch” means Fitch Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

“Full Replacement Value” means the actual replacement cost of any component of the Facilities, exclusive of land, excavations, footings, foundations and parking lots.

“Global Bond Certificates” means one more bond certificates of the Corporation, each certificate representing the entire principal amount of the Bonds due on a particular Stated Maturity, immobilized from general circulation by the Depository.

“Impositions” means those taxes, assessments and other impositions defined in the Lease Purchase Agreement.

“Improvements” means the Premises Improvements and the Other Improvements as described in Exhibit A to the Lease Purchase Agreement.

“Indenture” means the Indenture of Trust dated as of December 1, 2007, between the Corporation and the Trustee, as from time to time amended and supplemented in accordance with the provisions of Article XI of the Indenture.

“Interest Payment Date” means with respect to any series of Bonds, each February 15 and August 15 and with respect to the Series 2007 Bonds, commencing February 15, 2008.

“Lease Purchase Agreement” means the Lease Purchase Agreement dated as of December 1, 2007, among the Corporation, the City and the Board, as from time to time supplemented or amended in accordance with the Lease Purchase Agreement and the Indenture.

“Maturity” means, with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration or acceleration or call for redemption or otherwise.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or

liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"Opinion" means a written opinion of Counsel who is acceptable to the Trustee.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Ordinance" means Ordinance No. 67618 of the City enacted on July 30, 2007, which authorized, among other things, the issuance, sale and delivery of the Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007, in accordance with the Indenture, and any amendments or supplements thereto and any other ordinance providing for the issuance of a Series of Bonds hereunder.

"Other Improvements" means those capital improvements to buildings, structures, improvements, fixtures, machinery and equipment, owned by the Board but not located on the Premises, including the headquarters for the Police Department and the Police Academy.

"Outstanding" means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except:

- (a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for canceling;
- (b) Bonds which are deemed paid under the Indenture;
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture; and
- (d) Bonds held by or for the account of the Corporation, the City or any person controlling, controlled by or under common control with either of them for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds outstanding under the Indenture, the Base Lease or the Lease Purchase Agreement.

"Paying Agent" means the Trustee and any other bank or trust institution organized under the laws of any state of the United States or any national banking association designated by the Indenture or any Supplemental Indenture as paying agent for any series of Bonds at which the principal of, redemption premium, if any, and interest on such Bonds shall be payable.

"Permitted Encumbrances" means:

- (a) with regard to the Project, such easements, encumbrances and restrictions as are identified in Schedule B of the title company's commitment for title insurance;
- (b) the Deed of Trust;
- (c) any financing statements relating to the Indenture, the Base Lease or the Lease Purchase Agreement;

- (d) impositions which are not then delinquent, or if then delinquent, are being contested in accordance with Section 6.2 of the Lease Purchase Agreement;
- (e) utility, access and other easements and rights-of-way, restrictions and exceptions, including operating agreements or leases, which will not interfere with or impair any of which may be necessary to the operation of the Project (or, if it is not being operated, the operation for which it was designed or last modified);
- (d) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or rights in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with Section 9.2 of the Lease Purchase Agreement;
- (e) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the Project and which the Corporation certifies do not materially adversely affect the value of the Facilities or impair the Project affected thereby for the purpose for which it was acquired or is held by the Corporation; and
- (f) zoning laws and similar restrictions which are not violated by the Project.

"Permitted Investments" means the securities and obligations identified in the Indenture.

"Premises" means the real property of the Board which is site of three area command stations, described in Exhibit A to the Lease Purchase Agreement and situated in the City including all streets and roads adjoining thereto and all easements and rights of way now or hereafter used in connection therewith together with all land lying in the bed of any street or road, open or proposed, in front of or adjoining such site to the center line thereof now or hereafter used in connection with such site or any real property shown on Exhibit A.

"Premises Base Lease" means the Premises Base Lease dated as of December 1, 2007, between the Board and the Corporation.

"Premises Improvements" means those capital improvements which constitute improvements to the police substations located on the Premises, including buildings, structures, improvements, fixtures, machinery and equipment, as further described in the Lease Purchase Agreement.

"Project" means the Communications Property and the Improvements financed with the issuance of the Series 2007 Bonds pursuant to the Indenture.

"Project Contracts" means the contracts for the acquisition, construction and installation of the Project.

"Project Costs" means all reasonable and necessary expenses incidental to the acquisition (by lease or purchase, including condemnation) of real and personal property, construction, equipping and installing of furnishings and equipment in connection with the Project, including without limitation architectural, engineering, legal, financial, administrative and accounting services relating thereto, the cost of all machinery, fixtures and equipment necessary or desirable in connection with the Project including maintenance of machinery, fixtures, equipment and improvements, costs as may be necessary or incidental to the Project and any and all other costs which in the opinion of Bond Counsel constitute construction expenditures within the meaning of Section 148(f)(4)(B)(i)(b) of the Code.

“Project Equipment” means the items of machinery, equipment, or other personal property installed or acquired or to be acquired for installation in or which constitute part of the Project, and all replacements thereof and substitutions thereof made pursuant to the Lease Purchase Agreement.

“Project Fund” means the Leasehold Revenue Bonds Project Fund created in the Indenture, which shall contain a Communications Property Account and a Facilities Account.

“Property” means the Facilities and the Communications Property.

“Rebate Fund” means the Leasehold Revenue Bonds Rebate Fund established in the Indenture.

“Record Date”, with respect to the Series 2007 Bonds, means the first day whether or not a Business Day of the calendar month of any Interest Payment Date and with respect to any other Series of Bonds, have the meaning specified in the Supplemental Indenture authorizing such Series of Bonds but in no event shall be less than ten (10) days prior to the following Interest Payment Date or Maturity.

“Redemption Date”, when used with respect to any Bond to be redeemed, means the date fixed for redemption pursuant to the Indenture.

“Redemption Notice Information” means information in a written and dated notice from the Trustee which (i) identifies the Bonds to be redeemed by the name of the issue (including the name of the issuer and any series designation), CUSIP number, if any, Dated Date, interest rate, Stated Maturities and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of the Bonds will be redeemed, the certificate numbers and the principal amount of the Bonds to be redeemed, (ii) identifies the date on which the notice is published and the Redemption Date, (iii) states the price at which the Bonds will be redeemed, (iv) states that interest on the Bonds or the portions of Bonds called for redemption will stop accruing from the Redemption Date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the Redemption Date, and (v) states that payment for the Bonds will be made on the Redemption Date at the principal corporate trust office of the Trustee or such other office as the Trustee designates during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part.

“Refunding Bonds” means bonds issued to refund any Series of Bonds or portion thereof then Outstanding.

“Rentals” or “Rent” means those payments required to be made by the City pursuant to the Lease Purchase Agreement.

“Resolution” means the Resolution adopted by the Board of Directors of the Corporation on November 5, 2007 authorizing, among other things, the issuance, sale and delivery of Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007 (City of St. Louis, Missouri, Lessee), and the execution of certain documents related thereto in accordance with the Indenture and any amendments or supplements thereto and any other resolution providing for the issuance of a Series of Bonds hereunder.

“S&P” means Standard & Poor’s, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.



“Series” means all of the Bonds delivered on original issuances in a simultaneous transaction and identified pursuant to the Indenture, or Additional Bonds, pursuant to a Supplemental Indenture authorizing the issuance of such Bonds as a separate Series, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, or other provisions. If a Series of Bonds is sold in installments, Series shall mean all of the Bonds of such installment.

“Series 2007 Bonds” means the Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007 (City of St. Louis, Missouri, Lessee), authorized by the Indenture.

“State” means the State of Missouri.

“Stated Maturity” means, when used with respect to any Bond, the date specified in the Indenture or in any Supplemental Indenture authorizing Additional Bonds as the fixed date on which the principal of such Bond is due and payable.

“Supplemental Base Lease” means any lease supplemental or amendatory to the Base Lease entered into by the City and the Corporation or the Board and the Corporation, as applicable, pursuant to Section 7.2 of the applicable Base Lease.

“Supplemental Indenture” means any indenture supplemental or amendatory to the Indenture entered into by the Corporation and the Trustee pursuant to the Indenture.

“Supplemental Lease Purchase Agreement” means any lease purchase agreement supplemental or amendatory to the Lease Purchase Agreement entered into by the Corporation, the Board and the City pursuant to the Lease Purchase Agreement and the Indenture.

“Tax Compliance Agreement” means the non-arbitrage certificate, the tax certificate as to arbitrage, or the tax compliance agreement, and any exhibit attached thereto, relating to certain tax matters relating to the Series 2007 Bonds.

“Term” or “Lease Term” means the term of the Lease Purchase Agreement beginning as of the issuance date of the Bonds, and ending (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date on which there occurs an Event of Default with respect to the City under the Lease Purchase Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Purchase Agreement; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Purchase Agreement shall be paid by the City or (iv) upon the discharge of the indenture as provided in the Indenture.

“Treasurer” means the Treasurer of the City.

“Trust Estate” means the Trust Estate described in the Granting Clauses of the Indenture.

“Trustee” means UMB Bank, N.A., St. Louis, Missouri, as trustee under the Indenture and any successors or assigns.

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills, or other securities constituting direct obligations of the United States of America or obligations the payment of the principal of and interest of which are fully and unconditionally guaranteed by the United States of America.

“Value” as of any particular time of determination means :

- (a) for securities:
  - (1) the closing price quoted by Interactive Data Systems, Inc; or
  - (2) a valuation performed by a nationally recognized and accepted pricing service utilized by the Trustee in servicing its trust business generally (selected by the Trustee in its absolute discretion); or
- (b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;
- (c) with respect to any investment agreement, the total amount that may be withdrawn therefrom for the purpose of the fund in which it is held;
- (d) with respect to an insurance policy, letter of credit or surety bond guaranteeing payments into the Debt Service Reserve Fund, the face value thereof; and
- (e) as to any investment not specified above: the value thereof established by prior agreement between the Corporation, the Trustee and the Credit Provider.

“Written Request” with reference to the Corporation means a request in writing signed by the Corporation Representative, with reference to the City means a request in writing signed by the City Representative, and with reference to the Board means a request in writing signed by the Board Representative or any other officers designated by the Corporation, the City or the Board, as the case may be, to sign such Written Requests.

## **APPENDIX D**

### **SUMMARY OF LEGAL DOCUMENTS**

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## APPENDIX D

### SUMMARY OF LEGAL DOCUMENTS

#### SUMMARY OF THE TRUST INDENTURE

*The following is a summary of certain provisions of the Trust Indenture (the “Indenture”). The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Indenture for a complete recital of the terms thereof.*

##### **Trust Estate.**

The Corporation and the Trustee have entered into the Trust Indenture in order to secure the payment of the principal of and interest on the Bonds and to secure the performance and observance by the Corporation of the covenants, agreements and conditions in the Indenture and in the Bonds, and pursuant to which the Corporation, subject to the Lease Purchase Agreement and the Deed of Trust, grants, bargains and sells, mortgages, warrants, conveys and confirms and pledges, assigns and grants a security interest in all and singularly the following property (said property being referred to as the “Trust Estate”) unto the Trustee and its successors-in-trust and its assigns, for the benefit of the Bondholders:

1. All leases of the Trust Estate, or portions thereof, now or hereafter entered into and all right, title and interest of the Corporation thereunder.
2. All right, title and interest of the Corporation (including the right to enforce any of the terms thereof) in, to and under:
  - (a) the Base Lease;
  - (b) the Lease Purchase Agreement and all Rentals and Additional Rentals and certain other revenues, moneys and receipts pursuant to the Lease Purchase Agreement or otherwise available to secure the Bonds, except certain amounts described as Additional Rentals in the Lease Purchase Agreement and the Corporation’s rights to indemnification under the Lease Purchase Agreement;
  - (c) the Deed of Trust;
  - (d) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the Lease Purchase Agreement and the Deed of Trust; and
  - (e) any and all real and personal property interests, including but not limited to, Project Equipment of the Corporation acquired by the Corporation in connection with the Project pursuant to the Base Lease, the Lease Purchase Agreement and the Deed of Trust subject to subparagraph (b) above.

3. All moneys and securities from time to time held by the Trustee under the Indenture, excluding moneys on deposit in the Rebate Fund, and any and all other real or personal property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security hereunder by the Corporation or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

#### **Creation of Funds.**

There are created and ordered to be established in the custody of the Trustee the following special trust funds in the name of the Corporation to be designated as follows:

- (a) Project Fund, which fund shall contain a "Communications Property Account" and a "Facilities Account".
  - (b) Costs of Issuance Fund
  - (c) Bond Fund
  - (d) Debt Service Reserve Fund
  - (e) Rebate Fund
- The Trustee is authorized to segregate moneys within such accounts, as instructed by the City, as necessary, on a book-entry basis or in such other manner as the Trustee may deem necessary or convenient.

#### **Application of Proceeds of Series 2007 Bonds.**

The net proceeds of the sale of the Series 2007 Bonds shall be deposited to the respective funds in the amounts as set forth in the Indenture.

#### **Deposits and Application of Revenues in the Bond Fund.**

In addition to the initial deposits pursuant to the Indenture, the Trustee shall deposit into the Bond Fund (a) all amounts received as Rentals or Additional Rentals to be deposited in the Bond Fund pursuant to the Lease Purchase Agreement corresponding to the payments of principal of, interest and redemption premium, if any, on the Series 2007 Bonds; (b) all interest and other income derived from the investments of funds on deposit in the Bond Fund; (c) the pro-rata share allocable to the Series 2007 Bonds of any amounts on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirements pursuant to the Indenture; and (d) all other moneys received by the Trustee which the Trustee is directed in writing to deposit in the Bond Fund.

The Trustee shall notify the Corporation, the Board and the City in writing fifteen (15) days prior to each Interest Payment Date of (a) the moneys then available in the Bond Fund to pay any principal of, and interest and premium, if any, on the Series 2007 Bonds becoming due on such upcoming Interest Payment Date, and (b) to the extent such moneys are insufficient to make such payment, the amount of such deficiency, which amount shall be required to be paid as Rentals pursuant to the Lease Purchase Agreement. The Trustee shall make such payment of any principal of, interest and premium, if any, on the Series 2007 Bonds becoming due on such upcoming Interest Payment Date as follows:

FIRST, from the moneys available in the Series 2007 Bond Fund as of the date of the notice required above;

SECOND, from Rentals required pursuant to the Lease Purchase Agreement.

Except as otherwise provided in the Indenture, funds on deposit in the Bond Fund shall be used and applied solely to pay the principal of, and interest and redemption premium, if any, on the Series 2007 Bonds.

**Deposits into the Project Fund.**

The following moneys shall be paid over to and deposited by the Trustee into the applicable Account of the Project Fund, as and when received:

- (a) The amount of the net proceeds from the sale of the Series 2007 Bonds, set forth in the Indenture.
- (b) The net proceeds from the sale of Additional Bonds (except Additional Bonds issued to refund Outstanding Bonds), excluding such amounts thereof required to be paid into the Bond Fund and into the Debt Service Reserve Fund.
- (c) The earnings accrued on the investment of moneys in the Project Fund and required to be deposited into each account of the Project Fund pursuant to the Indenture.
- (d) The net proceeds of casualty insurance, title insurance or condemnation awards required to be deposited into the Project Fund pursuant to the Lease Purchase Agreement.
- (e) All performance, labor and material payment bond payments and any and all payments from any contractors or other suppliers by way of breach of contract, refunds or adjustments required to be deposited into the applicable account of the Project Fund pursuant to the Lease Purchase Agreement.
- (f) Except as otherwise provided in the Indenture or in the Lease Purchase Agreement, any other moneys received by or to be paid to the Trustee from any other source for the completion of the Communications Property component of the Project or the Improvements component of the Project, when accompanied by directions from the City that such moneys are to be deposited into the Project Fund.

Notwithstanding the initial deposit of funds to the respective accounts of the Project Fund, the Authorized City Representative and the Authorized Corporation Representative may direct the Trustee from time to time to transfer funds from the Facilities Account to the Communications Property Account, or from the Communications Property Account to the Facilities Account, all within the Project Fund. Such direction shall be given pursuant to delivery of the written certificate provided in the Indenture.

Notwithstanding the foregoing, the aggregate deposit to the Communications Property Account shall not be reduced below \$14,165,100.

**Disbursements from the Project Fund.**

All earnings accruing on the investment of moneys in the Project Fund shall be credited to and accumulated in the Communications Account of the Project Fund and the Facilities Account of the Project Fund, as applicable. Profits realized on Permitted Investments and interest earnings thereon shall be credited to the applicable Account in the Project Fund.

The moneys in the Communications Property Account of the Project Fund and the Facilities Account of the Project Fund shall be disbursed by the Trustee for the payment of Project Costs associated with the Communications Property or the Improvements, as applicable upon receipt of requisition certificates signed by the Authorized City Representative and Authorized Corporation Representative.

The Trustee has covenanted and agreed to disburse such moneys in accordance with the provisions of the Indenture. In making disbursements for Project Costs, the Trustee shall be entitled to conclusively rely upon the written requisition certificates described above without inquiry or investigation. It is understood that the Trustee shall not make any inspections of the Project, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the construction or installation of the Project.

The Trustee shall keep and maintain adequate records pertaining to the Communications Property Account of the Project Fund and the Facilities Account of the Project Fund, the earnings thereon and all disbursements therefrom, and after the Project has been completed and a certificate of payment of all costs filed as provided in the Indenture the Trustee shall file with the Corporation, the Board and the City a final statement of receipts and disbursements with respect thereto.

#### **Disbursements from Costs of Issuance Fund.**

Moneys on deposit in the Costs of Issuance Fund shall be paid out from time to time by the Trustee upon Written Requests of the Corporation Representative and the City Representative, in an amount equal to the amount of each item of Costs of Issuance certified in such Written Requests.

#### **Disposition upon Completion of the Project.**

The completion of the Project and payment of all costs and expenses incidental thereto shall be evidenced by filing with the Trustee the certificate of completion required by the Lease Purchase Agreement. As soon thereafter as practicable, any balance remaining in the Project Fund (other than amounts retained by the Trustee as specified in said certificate) shall without further authorization be deposited in the Bond Fund and applied by the Trustee as directed by the City solely to: the payment of principal and premium, if any, of the Series 2007 Bonds through the payment or redemption thereof at the earliest date permissible under the terms of this Indenture, or to the purchase of Series 2007 Bonds at such earlier date or dates as the City may elect, which Bonds shall thereafter be cancelled by the Trustee. Any Bonds purchased by the Trustee with moneys from the Bond Fund will be deemed cancelled. The balance remaining in the Project Fund and transferred to the Bond Fund in accordance with this provision shall not be invested at a yield which exceeds the yield on the Bonds. Any earnings on such investments may be applied to pay the principal of, premium, if any, or interest on the Bonds. From time to time as the proper disposition of the amounts retained by the Trustee and specified in said certificate shall be determined, to the extent that such amounts are not paid out by the Trustee pursuant to the Indenture, the City shall so notify the Trustee and the Corporation by one or more certificates as aforesaid and amounts from time to time no longer to be so retained by the Trustee shall be so deposited in the Bond Fund and applied by the Trustee as aforesaid.

#### **Disposition upon Acceleration.**

If the principal of the Bonds shall have become and be declared due and payable by reason of acceleration pursuant to the Indenture, then any balance remaining in the Accounts in the Project Fund shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the Corporation and to the City of such action.



## **Debt Service Reserve Fund Financial Security Assurance, Inc. Surety Bond.**

As long as the Surety Bond shall be in full force and effect with respect to the Series 2007 Bonds, the Corporation and the Trustee agree to comply with the following provisions.

- (a) The Corporation shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by Financial Security. Interest shall accrue and be payable on such draws and expenses from the date of payment by Financial Security at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as Financial Security shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to Financial Security shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to Financial Security on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the debt service reserve fund established for the Bonds (the "Reserve Fund") shall be transferred to the debt service fund for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

- (b) If the Corporation shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) hereof, Financial Security shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

- (c) The Indenture shall not be discharged until all Policy Costs owing to Financial Security shall have been paid in full. The Corporation's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

#### **Payment Procedure Pursuant to the Surety Bond.**

As long as the Surety Bond shall be in full force and effect with respect to the Series 2007 Bonds, the City and the Trustee and Paying Agent, agree to comply with the following provisions:

- (i) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and provide notice to Financial Security in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the Corporation with the Trustee to the debt service fund for the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to Financial Security of any failure of the Corporation to make timely payment in full of such deposits within two business days of the date due.

#### **Application of Revenues in the Debt Service Reserve Fund.**

In addition to the initial deposit from Series 2007 Bond proceeds, if any, except as in the Indenture otherwise provided, funds on deposit in the Debt Service Reserve Fund shall be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Bond Fund shall be insufficient to pay the principal of and interest on the Bonds as the same become due. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund whether or not the amount in the Lease Purchase Agreement equals the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Bonds called for redemption or to purchase Bonds in the open market, prior to their Stated Maturity, provided all Bonds at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund shall be used to pay and retire the Bonds last becoming due, unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund shall aggregate an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to said Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default as in the Indenture provided and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the Lease Purchase Agreement provides that the City shall make up such deficiency by making monthly payments of Additional Rentals, commencing on the first day of the calendar month following the date of such withdrawal and continuing on the first day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

In the event that the sum on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement by reason of the issuance of Additional Bonds refunding a portion or all of one or more Series of Bonds hereunder, the Corporation may direct the Trustee to transfer such excess funds to the accounts or subaccounts of the Bond Fund associated with the Series of Bonds being refunded.

Notwithstanding the foregoing, any of the following may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund: an insurance policy, letter of credit, line of credit, guaranty or surety bond or any similar credit or liquidity facility, or any combination thereof which facility shall be obtained from an entity that is rated in one of the two highest rating categories by either Moody's, Fitch or S&P. In the case of the utilization of any cash substitute as described in this paragraph, any moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the account and subaccounts in the Bond Fund attributable to each Outstanding Series of Bonds pursuant to the Indenture, or if such cash substitute is attributable to a particular Series of Bonds, the Corporation may direct the Trustee to transfer such funds in excess of the Debt Service Reserve Fund Requirement to the accounts or subaccounts of the Bond Fund associated with such Series of Bonds.

#### **Valuation of Debt Service Reserve Fund.**

Permitted Investments in the Debt Service Reserve Fund shall be evaluated at the market value thereof, exclusive of accrued interest, by the Trustee quarterly on January 15, April 15, July 15 and October 15 of each year and the amount on deposit therein determined accordingly. In the event that on any such date of evaluation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount less than the Debt Service Reserve Fund Requirement (by reason of such evaluation and not by reason of any withdrawal), the Lease Purchase Agreement provides that the City shall make up such deficiency as Additional Rentals equal to such deficiency no later than the next evaluation date and investment earnings on funds in the Debt Service Reserve Fund shall remain therein and be applied to reducing such deficiency. In the event that on any such date of evaluation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount which is equal to or exceeds the Debt Service Reserve Fund Requirement, such amount in excess of the Debt Service Reserve Fund Requirement shall be transferred to the account and subaccounts in the Project Fund, to each of the Facilities Account and the Improvement Account on a pro rata basis, and following completion of the Project shall be deposited to the Bond Fund.

After payment in full of the principal of, premium, if any, and interest on the Bonds (or provision has been made for the payment thereof as specified in the Indenture), and the fees, charges and expenses of the Trustee and any Paying Agent and any other amounts required to be paid under the Indenture, the Lease Purchase Agreement, and any agreement with respect to Credit Facility, all amounts remaining in the Debt Service Reserve Fund shall be paid to the City.

#### **Application of Moneys in the Rebate Fund.**

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Arbitrage Instructions) for payment to the United States of America, and neither the Corporation, the City, the Board nor the Owner of any Bond shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the provisions of the Indenture described in this section and by the Arbitrage Instructions.

The Trustee shall periodically retain at the expense of the City, a rebate analyst to determine the amounts subject to rebate under Section 148(f) of the Code in accordance with the Arbitrage Instructions, and the Corporation shall make or cause to be made payments to the United States Government at the times and in the amounts determined under the Arbitrage Instructions. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to this Section and the Tax Compliance Agreement, other than from moneys held in the Rebate Fund as provided in the Indenture or from other moneys provided to it by the

Corporation. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount (as defined in the Arbitrage Instructions), or provision made therefor, shall be withdrawn and released to the City.

Notwithstanding any other provision of the Indenture, the obligation to pay Rebate Amounts to the United States and to comply with all other requirements of this Section and the Arbitrage Instructions shall survive the defeasance or payment in full of the Bonds.

#### **Payments Due on Business Days.**

In any case where the Maturity of principal of, or redemption premium, if any, or interest on, any Bonds or the days fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal, redemption premium, if any, or interest on such Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

#### **Nonpresentment of Bonds.**

In the event any Bond shall not be presented for payment when the principal therein becomes due, either at its Maturity or otherwise, or at the Redemption Date thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Corporation to the Bondholder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within five years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall repay to the City without liability for interest thereon the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Bondholder thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

#### **Repayment to the City from the Bond Fund.**

After payment in full of the principal of and redemption premium, if any, and interest on, the Bonds (or after provision has been made for the payment thereof as provided in this Indenture), and the fees, charges and expenses of the Trustee and Paying Agents and any other amounts required to be paid under this Indenture, the applicable Supplemental Indenture and Lease Purchase Agreement, all amounts remaining in the Bond Fund shall be paid to the City upon the expiration or sooner termination of the Lease Purchase Agreement.

#### **Provisions Relating to Credit Facility issued by the Credit Facility Provider for the Series 2007 Bonds.**

As long as the Credit Facility issued by the Credit Facility Provider shall be in full force and effect with respect to the Series 2007 Bonds, the Corporation and the Trustee agree to comply with the following provisions. The following terms used in this section shall have the following meanings:

- (a) Other than a municipal bond debt service reserve policy issued by Credit Facility Provider, the prior written consent of the Credit Facility Provider shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.
- (b) The Credit Facility Provider shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.
- (c) Remedies granted to the Bondholders shall expressly include mandamus.
- (d) The security for the Bonds shall include a pledge of the Lease Purchase Agreement and any agreement with any underlying obligor that is a source of payment for the Bonds and a default under the Lease Purchase Agreement and any such agreement shall constitute an Event of Default under the Indenture.
- (e) If acceleration is permitted under the Indenture, the maturity of Bonds insured by the Credit Facility Provider shall not be accelerated without the consent of the Credit Facility Provider and in the event the maturity of the Bonds is accelerated, the Credit Facility Provider may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Corporation) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Credit Facility Provider's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.
- (f) The Credit Facility Provider shall have the right to provide notice of a covenant default under the Lease. The cure period for a covenant default under the Lease shall not exceed a total of 90 days without the consent of the Credit Facility Provider. No grace period shall be permitted for payment defaults.
- (g) The Credit Facility Provider shall be included as a third party beneficiary to the Indenture.
- (h) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Bonds to be redeemed shall be subject to the approval of the Credit Facility Provider. The exercise of any provision of the Indenture which permits the purchase of Bonds in lieu of redemption shall require the prior written approval of the Credit Facility Provider if any Bond so purchased is not cancelled upon purchase.

- (i) Any amendment, supplement, modification to, or waiver of, the Indenture, the Lease Purchase Agreement, the Communication Property Base Lease, the Premises Base Lease or the Deed of Trust and Security Agreement (each a "Related Document"), that requires the consent of Bondowners or adversely affects the rights and interests of the Credit Facility Provider shall be subject to the prior written consent of the Credit Facility Provider.
- (j) Unless the Credit Facility Provider otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Project Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.
- (k) The rights granted to the Credit Facility Provider under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Credit Facility Provider in consideration of its issuance of the Insurance Policy. Any exercise by the Credit Facility Provider of such rights is merely an exercise of the Credit Facility Provider's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Credit Facility Provider, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Credit Facility Provider.
- (l) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Credit Facility Provider, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Credit Facility Provider, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Credit Facility Provider otherwise approves.

To accomplish defeasance, the Corporation shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Credit Facility Provider ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Credit Facility Provider), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Corporation, Trustee and Credit Facility Provider. The

Credit Facility Provider shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

- (m) Amounts paid by the Credit Facility Provider under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Corporation in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Credit Facility Provider have been paid in full or duly provided for.
- (n) Each of the Corporation and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.
- (o) Claims Upon the Insurance Policy and Payments by and to the Credit Facility Provider.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Credit Facility Provider and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Credit Facility Provider and the Credit Facility Provider's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Credit Facility Provider and the Credit Facility Provider's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Credit Facility Provider, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Credit Facility Provider, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Corporation on any Bond or the subrogation rights of the Credit Facility Provider.

The Trustee shall keep a complete and accurate record of all funds deposited by the Credit Facility Provider into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Credit Facility Provider shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Corporation agrees to pay to the Credit Facility Provider (i) a sum equal to the total of all amounts paid by the Credit Facility Provider under the Insurance Policy (the "Credit Facility Provider Advances"); and (ii) interest on such Credit Facility Provider Advances from the date paid by the Credit Facility Provider until payment thereof in full, payable to the Credit Facility Provider at the Late Payment Rate per annum (collectively, the "Credit Facility Provider Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Corporation hereby covenants and agrees that the Credit Facility Provider Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Credit Facility Provider.

- (p) The Credit Facility Provider shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Corporation to the Credit Facility Provider under the Related Documents shall survive discharge or termination of such Related Documents.



- (q) The Corporation shall pay or reimburse the Credit Facility Provider any and all charges, fees, costs and expenses that the Credit Facility Provider may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Credit Facility Provider to honor its obligations under the Insurance Policy. The Credit Facility Provider reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.
- (r) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Corporation or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement.
- (s) The Credit Facility Provider shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Corporation (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Credit Facility Provider has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.
- (t) The notice address of the Credit Facility Provider is: Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. \_\_\_\_\_, Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."
- (u) The Credit Facility Provider shall be provided with the following information by the Corporation, the City or Trustee, as the case may be:
  - (i) Annual audited financial statements within 210 days after the end of the City's fiscal year (together with a certification of the Corporation that it is not aware of any default or Event of Default under the Indenture), and the City's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Credit Facility Provider shall reasonably request from time to time;

- (ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;
  - (iii) Notice of any default known to the Trustee or Corporation within five Business Days after knowledge thereof;
  - (iv) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;
  - (v) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;
  - (vi) Notice of the commencement of any proceeding by or against the City or the Board commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
  - (vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;
  - (viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and
  - (ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.
- (v) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Credit Facility Provider.
- (w) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

**Moneys to be Held in Trust.**

Except as otherwise specifically provided in the Indenture, all moneys deposited with or paid to the Trustee pursuant to the provisions of this Indenture, and all moneys deposited with or paid to the Paying Agent under this Indenture, shall be held by the Trustee or Paying Agent in trust and shall be applied only in accordance with the Indenture and the applicable Supplemental Indenture, if any, and the Lease Purchase Agreement, and, until used or applied as provided in the Indenture, shall, except for moneys held in the Rebate Fund, constitute part of the Trust Estate and be subject to the lien hereof. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

**Investment of Moneys in the Project Fund, the Costs of Issuance Fund, the Bond Fund and the Debt Service Reserve Fund.**

Moneys held in the Project Fund, the Costs of Issuance Fund, the Bond Fund and the Debt Service Reserve Fund created by the Indenture or any subaccount created by the Supplemental Indenture authorizing any Series of Bonds, if any, shall, pursuant to written direction of the City, signed by the Treasurer or his designee and in accordance with the Tax Compliance Agreement be invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the holder prior to the date such funds will be needed. If the City fails to provide written directions concerning investments, the Trustee is authorized to invest such moneys in Permitted Investments of the type described in paragraph (5) of the definition thereof. The Trustee is authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees, which may be deducted from income earned on investments. The Trustee is authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account. The Trustee may pool moneys for investment purposes, except moneys held in any Fund that are required to be yield restricted in accordance with the Tax Compliance Agreement shall not be commingled with other money and shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Permitted Investments shall be credited to such fund or account or as otherwise provided by a Supplemental Indenture, and any loss resulting from such Permitted Investments shall be charged to such fund or account. Any such money shall be a part of such fund in which such moneys are originally held. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purposes of such fund or account. The Trustee shall transfer excess monies in the Debt Service Reserve Fund to the Bond Fund after any quarterly valuation required by a Supplemental Indenture. The Trustee may make any and all investments permitted by this Section through its own bond department or short-term investment department.

**Payment of Principal, Redemption Premium, if any, and Interest.**

The Corporation will deposit or cause to be deposited in the Bond Fund sufficient sums from Rentals, Additional Rentals and other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Purchase Agreement promptly to meet and pay the principal of, redemption premium, if any, and interest on, the Bonds as the same become due and payable at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof.

**Authority to Execute Indenture and Issue Bonds.**

The Corporation is duly authorized to execute the Indenture, to issue the Bonds and to pledge and assign the Trust Estate in the manner and to the extent set forth in the Indenture; all action on its part for the execution and delivery of the Indenture and the issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Bondholders thereof are and will be valid and enforceable obligations of the Corporation according to the import thereof.

**Instruments of Further Assurance: Encumbrances of Trust Estate.**

The Corporation will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Indentures and such further acts, instruments, financing statements and other documents as the Trustee may reasonably require for the better assuring, pledging and assigning unto the Trustee, the property and revenues described in the Indenture to the payment of the principal of, and redemption premium, if any, and interest on, the Bonds.

**Filing of Security Instruments.**

The Indenture is intended to be a security agreement pursuant to the Uniform Commercial Code for any of the items specified as part of the interest of the Trustee on behalf of the Bondholders in the Property which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code, and the Corporation has granted the Trustee on behalf of the Bondholders, a security interest in said items, whether now or hereafter acquired, and including all products and proceeds of said items. The Corporation will cause all appropriate financing and continuation statements and other security instruments to be filed or recorded, as applicable, in such manner, at such times and in such places as may be required by law to fully preserve and protect the security of the Bondholders and the rights of the Trustee under the Indenture.

**Inspection of Project Books.**

All books and documents in the Corporation's possession relating to the Rentals and other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Purchase Agreement shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

**Enforcement of Rights Under the Lease Purchase Agreement.**

The Corporation will enforce all of the rights and all of the obligations of the City under the Lease Purchase Agreement to the extent necessary to preserve the property leased thereunder in good order and repair, and to protect the rights of the Trustee and the Bondholders hereunder with respect to the pledge and assignment of the Trust Estate upon the direction of the Trustee. The Trustee as assignee of the Lease Purchase Agreement and the holder of the Indenture in its name or in the name of the Corporation may enforce all rights of the Corporation and all obligations of the City under and pursuant to the Lease Purchase Agreement for and on behalf of the Bondholders, whether or not the Corporation is in default hereunder.

**Damage, Destruction and Condemnation.**

If the Communications Property component of the Project or the Facilities component of the Project or any portion thereof is destroyed or damaged by fire or other casualty, or if title to or temporary use of the Communications Property or the Facilities or the interest of the City, the Board or of the Corporation therein, as applicable, shall be taken under the exercise of the power of eminent domain by

any governmental body or by any person, firm or corporation acting under governmental authority, the City or the Board, as applicable shall cause the net proceeds of any insurance (including proceeds from the City's self insurance program) or condemnation award to be applied as provided in the Lease Purchase Agreement.

### **Tax Exemption.**

The Corporation will comply with the Lease Purchase Agreement with respect to the exemption of the interest on Bonds from Federal income taxation.

### **Rebate.**

The Trustee shall at the times specified in the Tax Compliance Agreement at the expense of the City, employ an individual or firm having the requisite expertise to make, the calculation(s) required by the Tax Compliance Agreement and the Corporation shall pay to the United States the amount, if any, required to be rebated by the Tax Compliance Agreement and invest proceeds of the Bonds only as provided in the Tax Compliance Agreement. Anything in the Indenture to the contrary notwithstanding, the Tax Compliance Agreement may be amended or superseded by a new Tax Compliance Agreement accompanied by an opinion of Bond Counsel addressed to the Corporation and the Trustee to the effect that the use of said new Tax Compliance Agreement will not cause the interest on the Bonds to become includable in gross income for Federal income tax purposes of the recipient thereof.

### **Events of Default.**

If any one or more of the following events occur, it is defined as and declared to be and to constitute an "Event of Default":

- (a) Default by the Corporation in the due and punctual payment of any interest on any Bond;
- (b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the Stated Maturity or other Maturity thereof, or upon proceedings for redemption thereof;
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Corporation contained in the Indenture or in the Bonds or in any other document or instrument that secures or otherwise relates to the debt and obligations secured by the Indenture, and the continuance thereof for a period of 60 days after written notice given to the Corporation, the Board, and the City by the Trustee or to the Trustee, the City, the Board, and the Corporation by the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within said 60-day period, the Trustee may consent in writing to an extension of such time prior to its expiration and the Trustee will not unreasonably withhold its consent to such an extension if corrective action is instituted by the Corporation or the City within the 60-day period and diligently pursued to completion and if such consent, in its judgment, does not materially adversely affect the interests of the Bondholders. Upon receipt of notice of any Event of Default under this subparagraph (c) the City shall have the rights specified in subparagraph the Indenture; or
- (d) An Event of Default under the Lease Purchase Agreement.

Notice of any Event of Default shall be given to the Corporation, the Board, and the City by the Trustee within thirty (30) days of the Trustee's knowledge thereof and the City, upon receipt of such notice, shall have the rights specified in the Indenture.

#### **Acceleration of Maturity in Event of Default.**

If an Event of Default shall have occurred and be continuing, the Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Corporation, the Board and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereof immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. If the payment of the Bonds is accelerated under this Section, each Bond shall be payable in the principal amount thereof and accrued interest thereon.

#### **Surrender of Possession of Trust Estate Rights and Duties of Trustee in Possession.**

If an Event of Default shall have occurred and be continuing, the Corporation, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers and accounts of the Corporation pertaining thereto, and including the rights and the position of the Corporation under the Lease Purchase Agreement and to collect, receive and sequester the Rentals and other revenues, moneys and receipts derived under the Lease Purchase Agreement, and out of the same and any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel and (ii) any expenses and charges of the Trustee and its agents and counsel hereunder, and the Trustee shall apply the remainder of the moneys so received in accordance with the Indenture. The collection of such Rentals, revenues and other receipts, or the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to notice of default. Whenever all that is due upon the Bonds shall have been paid and all defaults cured, the Trustee shall surrender possession of the Trust Estate to the Corporation, its successors or assigns, the same rights, however, to exist upon any subsequent Event of Default.

The City shall give notice to the Corporation and the Board with a copy to the Trustee as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget for the next succeeding Fiscal Year is finally approved by the Board of Alderman of the City of either (i) the termination of the Lease Purchase Agreement or (ii) that sufficient funds have been budgeted and appropriated to make all payments of Rentals during the next succeeding Fiscal Year. Notice that sufficient funds have been appropriated for the next succeeding Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required during such Fiscal Year by the terms of the Lease Purchase Agreement. If the Trustee does not receive such notice the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If notice of termination has been duly given, all of the City's right, title, interest and obligations under the Lease Purchase Agreement shall terminate without penalty on the last day of the then current Fiscal Year. Failure of the City to budget and appropriate prior to July 1 of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals during such Fiscal Year, shall constitute termination of the Lease Purchase Agreement at the end of the Fiscal Year then in effect, and failure to give notice to the Corporation of such termination as heretofore provided shall not affect such automatic termination.

Upon the occurrence and continuance of any Event of Non-Appropriation, the Trustee shall notify the City to vacate its interest in the Property immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the Lessee has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and shall, without any further demand or notice, (i) terminate the Lease Purchase Agreement, foreclose on the Deed of Trust, re-enter the Property and eject all parties in possession thereof therefrom and sublease the Project or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Project.

#### **Appointment of Receivers in Event of Default.**

If an Event of Default shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee or of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

#### **Exercise of Remedies by the Trustee.**

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and interest on the Bonds then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as set forth in the Indenture or to enforce or realize upon any of the rights, powers, liens or interests granted by the Indenture to the Trustee. Upon the occurrence of an Event of Default, the Trustee may exercise any of the rights and remedies of a secured party under the Missouri Uniform Commercial Code or other applicable laws including those provided in the Deed of Trust and require the Corporation to assemble any collateral covered by the Indenture and make it available to the Trustee at a place to be designated by the Trustee which is reasonably convenient to both parties.

#### **Exercise of Rights and Powers.**

If an Event of Default shall have occurred and be continuing, and if requested so to do by the Holders of 25% in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

All rights of action under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondholder, and any recovery or judgment shall, subject to the Indenture, be for the equal benefit of all the Registered Owners of the Outstanding Bonds.

#### **Limitation on Exercise of Remedies by Bondholders.**

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust hereunder or for the appointment of a receiver or any other remedy hereunder unless:

- (i) a default has occurred of which the Trustee has been notified as provided the Indenture or of which by said subsection the Trustee is deemed to have notice;

- (ii) such default shall have become an Event of Default;
- (iii) the Holders of 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in the Indenture; and
- (iv) the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name;

### **Right of Bondholders to Direct Proceedings.**

Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceedings directed would involve it in personal liability.

### **Application of Moneys in Event of Default.**

Upon an Event of Default, all moneys received by the Trustee pursuant to the Lease Purchase Agreement or pursuant to any right given or action taken under the Indenture or any other provisions of this Indenture, shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, charges, expenses, liabilities, advances and dues incurred or made by the Trustee, be deposited in the Bond Fund and any other Bond Fund created for the payment of Bonds and all moneys so deposited in the Bond Fund or such other Bond Fund shall be applied as follows:

- (a) If the principal of all the Bonds shall not have become due or shall not have been declared due and payable, all such moneys shall be applied:

First        To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second      To the payment to the persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which moneys are held pursuant to this Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due and payable, and, if the amount available shall not be sufficient to pay in full all Bonds due on any particular date, together with such interest, then to the payment ratably, according to the



amount of principal and redemption premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

- (b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable and, if the amount available shall not be sufficient to pay such amounts in full, then to the payment ratably, according to the amounts due, to the persons entitled thereto, without any discrimination or privilege; and

Second To the payment to the persons entitled thereto of unpaid principal of and redemption premium, if any, then due and unpaid on all of the Bonds, without preference or priority of principal or premium of any Bond over principal or premium of any other Bond, ratably, according to the amounts due respectively for principal and redemption premium, if any, to the persons entitled thereto, without any discrimination or privilege.

- (c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled then, subject to subparagraph (b) of this Section, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with subparagraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions described in this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds and interest thereon have been paid under the provisions described in this Section, and all fees, expenses and charges of the Trustee have been paid, and all amounts owing the United States Government under Section 148 of the Code have been paid, any balance remaining in the Bond Fund shall be paid to the City.

### **Remedies Cumulative.**

No remedy conferred by the Indenture upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

**Delay or Omission Not Waiver.**

No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient.

**Effect of Discontinuance of Proceedings.**

In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Corporation, the City, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

**Waivers of Events of Default.**

The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Registered Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Registered Owners of all the Bonds Outstanding (a) any Event of Default in the payment of the principal of any Outstanding Bonds at their Stated Maturity, or (b) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds or overdue installments of interest in respect of which such default shall have occurred, or all arrears of payments of principal when due, as the case may be, and all fees, charges and expenses of the Trustee in connection with such default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Corporation, the City, the Trustee and the Bondholders shall be restored to their former positions, rights and obligations hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon. The Trustee may not waive any Event of Default without the consent of the Credit Facility Provider.

**Opportunity of City to Purchase Corporation's Interest in Event of Default and to Cure Defaults.**

Upon receipt of notice by the City of an Event of Default pursuant to subparagraph (a) or (b) of the provisions described under "Events of Default" above, the Corporation has, by the Lease Purchase Agreement, granted the City an option to purchase the Corporation's interest in the Property under the Lease Purchase Agreement. Upon receipt of notice by the City of an Event of Default pursuant to subparagraph (c) of the provisions described under "Events of Default" above, the Corporation by the Indenture grants the City full authority, on account of the Corporation, to perform any covenant, agreement, or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to do any and all things and acts to the same extent that the Corporation could do and perform any such things and acts in order to remedy such default.

### **Acceptance of the Trusts.**

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts exercising the same degree of care and skill as a prudent person ordinarily would exercise under the circumstances, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into the Indenture against the Trustee:

- (a) The Trustee, prior to the occurrence of an Event of Default and after curing all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. If any Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his affairs.
- (b) The Trustee may execute any of the trusts or powers hereunder or perform any duties under the Indenture either directly or through agents, attorneys or receivers and shall not be responsible for any misconduct or negligence on the part of any attorney or receiver appointed or chosen by it with due care, and the Trustee shall be entitled to act or refrain from acting upon the opinion or advice of Counsel, who may be Counsel to the Corporation or to the City, concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such agents, attorneys and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee shall not be responsible for any loss or damage resulting from an action or non-action by it taken or omitted to be taken in good faith in reliance upon such opinion or advice of Counsel.
- (c) The Trustee shall not be responsible for any recital in the Indenture or in the Bonds (except with respect to the Certificate of Authentication of the Trustee appearing on the Bonds), or for the filing or refiling of the Indenture or any security agreements in connection therewith, or for the validity of the execution by the Corporation of the Indenture or any Supplemental Indentures or instruments of further assurance, or for the sufficiency of the security for the Bonds.
- (d) The Trustee shall not be accountable for the use of any Bonds authenticated and delivered hereunder. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights which it would have if it were not Trustee.
- (e) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, affidavit, letter, telegram or other paper or document provided for under the Indenture believed by it to be genuine and correct and to have been signed, presented or sent by the proper person or persons.
- (f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, or whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the

Trustee shall be entitled to rely upon a certificate signed by a Corporation Representative and a City Representative, as the case may be, as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified or of which by said subparagraph it is deemed to have notice, the Trustee shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

- (g) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct.
- (h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Corporation to cause to be made any of the payments to the Trustee required to be made under the Indenture, unless the Trustee shall be specifically notified in writing of such default by the Corporation or by the Registered Owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding.
- (i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to inspect all books, papers and records of the Corporation pertaining to the Project, and the Bonds, and to make copies of such memoranda as may be reasonably desired.
- (j) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the premises.
- (k) The Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed necessary for the purpose of establishing the right of the Corporation to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.
- (l) Before taking any action under the Indenture, the Trustee may require that satisfactory and reasonable indemnity be furnished to it for the reimbursement of all fees, costs and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.
- (m) The Trustee shall invest funds held by it in accordance with the Indenture.
- (n) The Trustee may elect not to proceed in accordance with the directions of the Bondholders without incurring any liability to the Bondholders if in the opinion of the Trustee such direction may result in environmental or other liability to the Trustee, in its capacity as trustee or in an individual capacity, for which the Trustee has not received indemnity pursuant to the Indenture from the

Bondholders, and the Trustee may rely upon an opinion of counsel addressed to the Corporation and the Trustee in determining whether any action directed by Bondholders or the Corporation may result in such liability.

- (o) The Trustee may inform the Bondholders of environmental hazards that the Trustee has reason to believe exist, and the Trustee shall have the right to take such action as it shall determine or to take no further action if the Trustee determines that any such action or inaction would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not received indemnity pursuant to the Indenture.
- (p) Notwithstanding any other provision of the Indenture to the contrary, any provision intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee shall be interpreted to include any action of the Trustee whether it is deemed to be in its capacity as Trustee, Bond Registrar and Paying Agent.

#### **Fees, Charges and Expenses of the Trustee.**

The Trustee shall be entitled to payment of and/or reimbursement for reasonable fees for its ordinary services rendered hereunder and all advances, agent and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services and, in the event that it should become necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided, that, if such extraordinary services or extraordinary expenses are occasioned by the neglect or misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent for the Bonds and as Bond Registrar. Pursuant to the Lease Purchase Agreement, the City has agreed to pay to the Trustee all such fees, charges and expenses of the Trustee under the Indenture. The Trustee agrees that the Corporation shall have no liability for any fees, charges and expenses of the Trustee, and the Trustee agrees to look only to the City for the payment of all fees, charges and expenses of the Trustee and any Paying Agents as provided in the Lease Purchase Agreement. Upon the occurrence of an Event of Default and during its continuance, the Trustee shall have a lien with right of payment prior to payment on account of principal, or redemption premium, if any, or interest on, any Bond, upon all moneys in its possession under any provision hereof for the foregoing advances, fees, costs and expenses incurred.

#### **Notice to Bondholders if Default Occurs.**

If an Event of Default occurs of which the Trustee is by the Indenture required to take notice or if notice of default be given as in the Indenture provided, then the Trustee shall give written notice thereof by first class mail, postage prepaid, to the Holders of all Bonds then Outstanding at their respective addresses appearing on the Bond Register.

#### **Intervention by the Trustee.**

In any judicial proceeding to which the Corporation is a party and which, in the opinion of the Trustee and its Counsel, has a substantial bearing on the interests of the Bondholders, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the Registered Owners of at least twenty-five percent (25%) of the aggregate principal amount of Bonds then Outstanding, provided that the Trustee shall first have been provided such reasonable indemnity as it may require against the fees costs, expenses and liabilities which it may incur in or by reason of such proceeding.

**Successor Trustee Upon Merger, Consolidation or Sale.**

Any corporation or association into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto provided such successor Trustee is qualified to act as such under State law.

**Resignation of Trustee.**

The Trustee and any successor Trustee may at any time resign from the trusts by the Indenture created by giving at least 30 days written notice to the Corporation, the City, the Credit Facility Provider and the Bondholders, but such resignation shall not take effect until the appointment of a successor Trustee by the Bondholders or by the Corporation and approved by the City of each successor pursuant to the Indenture and the successor Trustee has accepted such appointment pursuant to the Indenture.

**Removal of Trustee.**

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, the Corporation, and the City not less than ten (10) days prior to such removal and signed by the Holders of a majority in aggregate principal amount of Bonds then Outstanding, but such removal shall not take effect until the appointment of a successor Trustee by the Bondholders or by the Corporation and approval by the City of such successor pursuant to the Indenture, and the successor Trustee has accepted such appointment pursuant to the Indenture. The Trustee may be removed at any time, at the request of the Credit Facility Provider, for any breach of the trust set forth in the Indenture.

**Appointment of Successor Trustee.**

In case the Trustee shall resign or be removed, or shall otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee may be appointed by the Holders of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing; provided that notwithstanding any other provision of the Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor, approved by the City and the Corporation, shall be appointed and provided further that, in case of such vacancy, the Corporation, by an instrument executed and signed by its President or any Vice President and attested by its Secretary or any Assistant Secretary under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders in the manner above provided. Any such temporary Trustee so appointed by the Corporation shall immediately and without further acts be superseded by the successor Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the Indenture shall be a trust company or bank in good standing and qualified to accept such trusts, subject to examination by a Federal or state regulatory authority and having a reported capital and surplus and undivided profits of not less than \$75,000,000 and acceptable to the Credit Facility Provider or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder. If a successor Trustee or temporary trustee has not been appointed within 30 days after the notice required by the Indenture is given the Trustee, the City or the Corporation may petition a court of competent jurisdiction for the appointment of a successor trustee.

### **Vesting of Trusts in Successor Trustee.**

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Corporation and the City an instrument in writing accepting such appointment hereunder, and thereupon such successor shall become fully vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of its predecessor; but such predecessor nevertheless, on the written request of the Corporation, shall execute and deliver an instrument transferring to such successor Trustee all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of such predecessor hereunder. Every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Corporation be required by any predecessor or successor Trustee for more fully and certainly vesting in such successor the trusts, powers, rights, obligations, duties, remedies, immunities and privileges by the Indenture vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation. Written notice of the appointment of any successor trustee, stating its name and address shall be given by such successor trustee to the Bondholders.

### **Right of Trustee to Pay Taxes and Other Charges.**

In case any tax, assessment or governmental or other charge upon, or insurance premium with respect to, any part of the Project is not paid as required in the Indenture or in the Lease Purchase Agreement, the Trustee may pay such tax, assessment or governmental or other charge or insurance premium without prejudice to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the Registered Owners of at least twenty-five percent (25%) of the aggregate principal amount of Bonds then Outstanding and shall have been provided adequate funds for the purpose of such payment. Any amount at any time so paid under the Indenture, with interest thereon from the date of payment at the prime rate of the Trustee plus two percent (2%), shall become an additional obligation secured by the Indenture, and the same shall be given a preference in payment over any payment of principal of, or redemption premium, if any, or interest on, the Bonds, and shall be paid out of the Rentals and any other revenues and receipts derived by the Corporation pursuant to the Lease Purchase Agreement, if not otherwise caused to be paid.

### **Trust Estate May Be Vested in Co-Trustee.**

It is a purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture or the Lease Purchase Agreement, and in particular in case of the enforcement hereof or thereof on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies in the Indenture granted to the Trustee, or take any other action which may be desirable or necessary in connection therewith, it may be necessary or desirable that the Trustee appoint an additional individual or institution as a co-trustee or separate trustee, and the Trustee is authorized to appoint such co-trustee or separate trustee with the consent of the Corporation and the City.

In the event that the Trustee appoints an additional individual or institution as a co-trustee or separate trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, title, interest and lien expressed or intended by the Indenture to be exercised by the Trustee with respect thereto shall be exercisable by such co-trustee or separate trustee but only to the extent necessary to enable such

co-trustee or separate trustee to exercise such powers, rights and remedies, and every covenant, agreement and obligation necessary to the exercise thereof by such co-trustee or separate trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Corporation be required by the co-trustee or separate trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation. In case the co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all the properties, rights, powers, trusts, duties and obligations of the co-trustee or separate trustee, so far as permitted by law, shall vest in a new co-trustee or separate trustee who shall be appointed by the Trustee. The co-trustee or separate trustee shall be entitled to such compensation for its services as is reasonable and customary.

### **Accounting.**

Unless doing so more frequently, the Trustee shall provide an annual accounting for each calendar year to the Corporation, and at such Bondholder's expense to any Bondholder requesting the same, which records shall show in reasonable detail all financial transactions relating to the Trust Estate and the balance in any funds created by the Indenture as of the beginning and close of each accounting period.

### **Paying Agents.**

The Corporation may appoint a Paying Agent other than the Trustee for any Series of Bonds and covenants and agrees that upon such appointment it will cause such Paying Agent to execute and deliver to the Trustee an instrument in compliance with the provisions in the Indenture.

### **Supplemental Indentures Not Requiring Consent of Bondholders.**

Subject to the Indenture, the Corporation with the approval of the Board of Aldermen and the Trustee may from time to time, without the consent of or notice to any of the Bondholders, enter into such Supplemental Indenture or Supplemental Indentures as shall not adversely affect the interests of the Bondholders, for any one or more of the following

- (a) To cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;
- (c) To subject to the Indenture additional revenues, properties or collateral;
- (d) To issue Additional Bonds provided in the Indenture;
- (e) To make any other change which in the sole determination of the Trustee does not materially adversely affect the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select; and



- (f) To evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee.

### **Supplemental Indentures Requiring Consent of Bondholders.**

Exclusive of Supplemental Indentures which do not require consent of bondholders as described above, the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding shall have the right, from time to time, to consent to and approve the execution by the Corporation and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Corporation, the Board and the City for the purpose of modifying, amending, adding to or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that the consent of all the Holders of Bonds then Outstanding shall be required for (i) an extension of the maturity of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of Bonds, the Holders of which are required to consent to any such Supplemental Indenture.

If at any time the Corporation shall request, with the consent of the City and the Board, that the Trustee enter into any such Supplemental Indenture for any of the purposes of this section, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondholder at his address as shown by the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If within 60 days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the Holders of not less than the requisite aggregate principal amount of the Bonds and Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof and in the Indenture provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, of the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee of the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

### **City and Board's Consent to Supplemental Indentures.**

Any Supplemental Indenture that affects any rights or obligations of the City or the Board shall not become effective unless and until the City and the Board shall have consented in writing to the execution and delivery of such Supplemental Indenture, provided, that receipt by the Trustee of a Supplemental Lease Purchase Agreement executed by the City and the Board in connection with the issuance of Additional Bonds under the Indenture shall be deemed to be the consent of the City and the Board to the execution of a Supplemental Indenture pursuant to the Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Indenture (other than a Supplemental Indenture proposed to be executed and delivered in connection with Additional Bonds) together with a copy of the proposed Supplemental Indenture to be mailed to the City and the Board at least 90 days prior to the proposed date of execution and delivery of any such Supplemental Indenture. Notwithstanding the provisions of the immediately preceding sentence, the City's right to consent to a Supplemental Indenture shall terminate for so long as an Event of Default has occurred and is continuing under the Lease Purchase Agreement.

### **Opinion of Bond Counsel.**

Before the Corporation and the Trustee enter into any Supplemental Indenture, there shall have been delivered to the City, the Corporation and the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture, will upon the execution and delivery

thereof be valid and binding upon the Corporation in accordance with its terms, and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on any Bonds that have been issued as tax-exempt bonds.

#### **Supplemental Lease Purchase Agreements and Supplemental Base Leases Not Requiring Consent of Bondholders.**

The Corporation and the Trustee shall, with the written consent of the City, the Board and the Credit Facility Provider but without the consent of or notice to the Bondholders consent to the execution of any Supplemental Lease Purchase Agreement and any Supplemental Base Lease, as may be required (a) by the Lease Purchase Agreement, the Base Lease or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) in connection with the issuance of Additional Bonds, or (d) in connection with any other change therein which, in the sole determination of the Trustee, does not materially adversely affect the interests of the Trustee or the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select.

#### **Supplemental Lease Purchase Agreements and Supplemental Base Leases Requiring Consent of Bondholders.**

Except for Supplemental Lease Purchase Agreements and Supplemental Base Leases as provided for in the Indenture, neither the Corporation, the City, the Board nor the Trustee shall consent to the execution of any Supplemental Lease Purchase Agreement or any Supplemental Base Lease without the mailing of notice and the obtaining of the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and obtained as provided in the Indenture; provided, that, the consent of all the Holders of Bonds shall be required for (i) the creation of any lien ranking superior to or on a parity with the lien of the Indenture, unless otherwise permitted, or (ii) a reduction in the aggregate principal amount of Bonds, the Holders of which are required to consent to any Supplemental Lease Purchase Agreement or any Supplemental Base Lease. If at any time the Corporation, the Board and the City shall request the consent of the Trustee to any such proposed Supplemental Lease Purchase Agreement or any Supplemental Base Lease, the Trustee shall cause notice of such proposed Supplemental Lease Purchase Agreement or Supplemental Base Lease to be mailed in the same manner as provided by the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed Supplemental Base Lease or Supplemental Lease Purchase Agreement and shall state that copies of the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders.

#### **Opinion of Bond Counsel.**

Before the Corporation, the City, the Board and the Trustee consent to any amendment, change or modification of the Lease Purchase Agreement or the Deed of Trust, there shall have been delivered to the City, the Corporation, the Board and the Trustee an Opinion of Bond Counsel stating that the amendment, change or modification of the Lease Purchase Agreement or the Deed of Trust is authorized or permitted by the Indenture and the instrument amended, changed or modified, will upon the execution and delivery thereof be valid and binding upon the Corporation and, if applicable, the City in accordance with its terms, and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on any Bonds that have been issued as tax-exempt bonds.

#### **Satisfaction and Discharge of the Indenture.**

When all Bonds are deemed to be paid as provided in the Indenture, and provision shall also be made for paying all other sums payable hereunder, including the fees and expenses of the Trustee and the Paying Agent to the date of retirement of the Bonds, then the right, title and interest of the Trustee in

respect hereof shall thereupon cease, terminate and be void, and thereupon the Trustee shall cancel, discharge and release the lien of the Indenture and shall execute, acknowledge and deliver to the Corporation such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the lien of the Indenture, and shall assign and deliver to the Corporation any property and revenues at the time subject to the Indenture that may then be in its possession, except amounts in the Bond Fund required to be paid to the City under the Indenture and except funds or securities in which such funds are invested by the Trustee for the payment of the principal of, and redemption premium, if any, and interest on, the Bonds.

The Corporation is authorized to accept a certificate by the Trustee that the whole amount of the principal, redemption premium, if any, and interest so due and payable upon all of the Bonds then Outstanding has been paid or such payment provided for in accordance with the Indenture as evidence of satisfaction of the Indenture, and upon receipt thereto shall cancel and erase the inscription of the Indenture from its records.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Credit Facility Provider pursuant to the Credit Facility, the Bonds shall remain Outstanding for all purposes, not be deceased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Corporation to the registered owners shall continue to exist and shall run to the benefit of the Credit Facility Provider, and the Credit Facility Provider shall be subrogated to the rights of such registered owners.

#### **Bonds Deemed to be Paid.**

Bonds shall be deemed to be paid within the meaning of the Indenture when payment of the principal of and the applicable redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (a) moneys sufficient to make such payment or (b) Defeasance Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, provided, however, with respect to any deposit referred to in this clause (ii), the Trustee shall have received a verification report of a nationally recognized independent certified public accounting firm as to the adequacy of the escrow to fully pay the Bonds deemed to be paid and there shall be delivered to the Trustee an escrow agreement, and an Opinion of Bond Counsel to the effect that the Series 2007 Bonds are no longer Outstanding under the Indenture. Each verification and Opinion of Bond Counsel shall be acceptable in form and substance, and addressed, to the Corporation, the City and the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the Stated Maturities thereof, no deposit under clause (ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with the Indenture or irrevocable instructions shall have been given to the Trustee to give such notice.

Notwithstanding any other provision of the Indenture, all moneys or Defeasance Obligations set aside and held in trust pursuant to the Indenture for the payment of Bonds (including redemption premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including redemption premium thereon, if any) with respect to which such moneys and Defeasance Obligations have been so set aside in trust.

#### **Consents and Other Instruments by Bondholders.**

Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing.

#### **Waiver of Personal Liability: Limit on Corporation's Liability.**

All liabilities under the Indenture on the part of the Corporation are solely corporate liabilities of the Corporation, and, to the extent permitted by law, the Trustee releases each and every incorporator, member, agent, employee and the city director and officer of the Corporation and the City of and from any personal or individual liability under the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation and the City shall at any time or under any circumstances be individually or personally liable under the Indenture for anything done or omitted to be done by the Corporation hereunder. The Corporation's monetary liability under the terms of the Indenture shall be limited to amounts available to it under the Lease Purchase Agreement.

#### **Electronic Transactions.**

The transactions described in the Indenture, the Lease Purchase Agreement and the Tax Compliance Agreement may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law. Unless otherwise specifically instructed in an Opinion of Bond Counsel or to the extent otherwise provided in the Indenture, the Trustee shall retain and maintain these records until three years following the final maturity of (i) the Bonds or (ii) any obligation issued to refund the Bonds. Any records maintained electronically must comply with Section 4.01 of Revenue Procedure 97-22.

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## **SUMMARY OF THE COMMUNICATIONS PROPERTY LEASE**

*The following is a summary of certain provisions of the Communications Property Base Lease (the "Communications Property Base Lease") between the City and the Corporation. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Communications Property Base Lease for a complete recital of the terms thereof.*

### **Representations of the City.**

The City represents, warrants and covenants as follows:

- (a) The City is a municipal corporation and political subdivision duly created and existing under and pursuant to its Charter and the Constitution and laws of the State of Missouri;
- (b) The City now owns or is in the process of becoming the owner in fee of the Communications Property free and clear of any liens or encumbrances except certain Permitted Encumbrances contemplated in the Indenture and in the Lease Purchase Agreement, and such property is presently, or upon the acquisition by the City will be, exempt from property and any other taxes levied by the State of Missouri or any political subdivision thereof or by the City;
- (c) The lease of the Communications Property by the City to the Corporation, as provided in the Communications Property Base Lease, will provide an essential service to the City and will contribute to the general welfare, safety and benefit of the City and its residents and as a result thereof will serve all of the aforesaid purposes and is therefore necessary, desirable and in the public interest;
- (d) The City, pursuant to its Charter and the Ordinance, has full power and authority to enter into the transaction contemplated by the Communications Property Base Lease and to carry out its obligations hereunder, and has been duly authorized to execute and deliver the Communications Property Base Lease and by proper action has duly authorized the execution and delivery of the Communications Property Base Lease;
- (e) Neither the execution and delivery of the Communications Property Base Lease, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated by the Communications Property Base Lease, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound; and
- (f) The City has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the City's interests in any property now or hereafter included in the Communications Property shall be or may be impaired, charged or encumbered in any manner whatsoever except as permitted by the Communications Property Base Lease and the Lease Purchase Agreement.

## **Representation of the Corporation.**

The Corporation represents, warrants and covenants as follows:

- (a) The Corporation is a nonprofit corporation duly incorporated under the Missouri Nonprofit Corporation Act and has full corporate power and authority to enter into the Communications Property Base Lease and by proper corporate action its officers have been duly authorized to execute and deliver the Communications Property Base Lease and by proper corporate action the Corporation has duly authorized the execution and delivery of the Communications Property Base Lease;
- (b) The execution and delivery of the Communications Property Base Lease and the consummation of the transactions in the Communications Property Base Lease contemplated will not conflict with or constitute a breach of or default under the Corporation's Articles of Incorporation or Bylaws or any bond, debenture, note or other evidence of indebtedness of the Corporation, or any contract, agreement or lease to which the Corporation is a party or by which it is bound;
- (c) The Corporation will issue its Series 2007 Bonds to finance the costs of the Communications Property;
- (d) Prior to any termination of or default under the Lease Purchase Agreement, the Corporation will not take or cause to be taken any action which will cause the interest on the Series 2007 Bonds to be included in gross income for purposes of Federal and State of Missouri income taxation; and
- (e) The Corporation will do all things necessary to assure the continuation of the tax-exempt status of the Series 2007 Bonds. The Corporation is exempt from Federal taxation on its income pursuant to Section 501(c)(3) of the Code.

## **Lease of Communications Property.**

The City demises and leases to the Corporation the Communications Property currently under its control and management and the Corporation leases from the City such Communications Property upon the terms and conditions provided in the Communications Property Base Lease, and with respect to the Communications Property, subject to Permitted Encumbrances, for a Communications Property Base Lease Term commencing as of the Dated Date and ending twenty (20) years beyond the final maturity date of the Series 2007 Bonds; provided, however, that if the Series 2007 Bonds have been paid in full at maturity or defeased pursuant to the Indenture and the City has not been required to surrender possession of the Communications Property due to an Event of Non-Appropriation or an Event of Default under the Lease Purchase Agreement, the Communications Property Base Lease will terminate upon such payment in full or defeasance.

The City agrees to cooperate with the Board to acquire and install the Communications Property and leases and demises such Communications Property, subject to Permitted Encumbrances, to the Corporation upon the terms and conditions provided in the Communications Property Base Lease. Upon acquisition of any Communications Property not now owned by the City, the same shall become a part of the Communications Property leased hereunder, and shall be subject to all the terms, covenants, conditions and provisions contained in the Communications Property Base Lease, without further action on the part of either party.

Each party shall, upon request of the other party or the Trustee, execute such documents and take such actions as shall be deemed necessary by such other party or the Trustee to further evidence or confirm the lease of such Communications Property hereunder.

#### **Sublease of the Communications Property.**

Simultaneously with the delivery of the Communications Property Base Lease, the Corporation is leasing the Communications Property to the City pursuant to the Lease Purchase Agreement, but subject to the Indenture and the reservation of certain rights under the Communications Property Base Lease. Upon acquisition of any other property or equipment as provided in the Communications Property Base Lease from the City, the Corporation will likewise lease such property or equipment to the City pursuant to the Lease Purchase Agreement, subject to the Indenture.

#### **Assignment, Subleases and Mortgages.**

The Corporation shall not mortgage or otherwise assign its rights under the Communications Property Base Lease or sublet the Communications Property without the prior written consent of the City, the Board and the Credit Facility Provider except in connection with any assignment of its rights as expressly provided for under the Lease Purchase Agreement.

#### **Rent and Other Considerations.**

As and for rental (the "Communications Property Base Lease Rent") and in consideration of the leasing of the Communications Property to the Corporation under the Communications Property Base Lease, and in order to provide funds for the Communications Property, the Corporation shall (a) issue, sell and cause to be delivered to the purchasers thereof the Series 2007 Bonds in one or more series in the principal amount, bearing interest, maturing and having the other details as set forth in the Indenture; and (b) deposit the proceeds of the sale of the Series 2007 Bonds as provided in the Indenture.

#### **Additional Bonds.**

The Corporation may issue Additional Bonds for the purposes and upon the terms and conditions provided in the Indenture. The Corporation agrees, upon request of the City Representative and approval by the Board, from time to time, to use its best efforts to issue the amount of Additional Bonds specified by the City and approved by the Board, within the limits of law and under the conditions specified above and in the Indenture, provided that (i) the terms, manner of issuance, purchase price and disposition of proceeds of the sale of such Additional Bonds have been approved by the Board of Aldermen, the Corporation and the Board; (ii) the Corporation and the City shall have entered into a Supplemental Communications Property Base Lease and the Corporation, the City and the Board shall have entered into a Supplemental Lease Purchase Agreement, if necessary, to provide for the payment by the City of Rentals sufficient in amount to pay timely as and when due the principal of, redemption premium, if any, and interest on such Additional Bonds; and (iii) the Corporation shall have otherwise complied with the provisions of the Indenture with respect to the issuance of such Additional Bonds.

Upon the request of the City, the Corporation agrees to authorize, within the limits of law, and use its best efforts to issue and if issued to deposit with the Trustee the proceeds from the sale of Additional Bonds to complete the Project as authorized pursuant to the Indenture or to refund all of the Outstanding Bonds of any series upon the terms and conditions provided in the Indenture.

**Disbursement from Project Fund.**

Under the Indenture, the Corporation and the City will authorize and direct the Trustee to disburse moneys (i) in the Facilities Account of the Project Fund for payment of costs of acquisition, construction and installation of the Improvements, and (ii) in the Communications Property Account of the Project Fund for payment of the Costs of acquisition and installation of the Communications Property, upon the terms and conditions specified therein and in the Lease Purchase Agreement.

**Termination.**

The Communications Property Base Lease shall terminate as specified in the Communications Property Base Lease; provided, however, in the event the City pays all Rentals and Additional Rentals provided for in the Lease Purchase Agreement and exercises thereafter the option to purchase the Corporation's interest in the remaining Communications Property Base Lease Term under the Communications Property Base Lease as provided in the Lease Purchase Agreement, then the Communications Property Base Lease shall be considered assigned to the City and terminated through merger of the leasehold interest with the interest in the Communications Property, if the City is the owner of the interest and elects to terminate the leasehold interest so acquired from the Corporation. The Corporation agrees, upon such assignment and termination of the Communications Property Base Lease Term, to quit and surrender the Communications Property as it then exists.

If an Event of Default under the Lease Purchase Agreement occurs for any reason, or if the City terminates the Lease Purchase Agreement and fails to purchase the Corporation's interest in the Communications Property as provided in the Lease Purchase Agreement, the Corporation shall have the right to possession thereof for the remainder of the Communications Property Base Lease Term and shall have the right to sublease the same or, sell its interest therein and in the Communications Property Base Lease upon whatever terms and conditions it deems prudent; provided, that the Communications Property shall always be operated for a lawful purpose. In such event, if the City so requests, the Corporation shall provide the City with adequate public liability insurance covering the Communications Property for the remainder of the Communications Property Base Lease Term and will furnish the City with evidence thereof. In the event that the Corporation shall receive a payment for the sale of its interest or total rental payments for subleasing that are, after the payment of the Corporation's expenses in connection therewith, including fees and expenses of the Trustee, in excess of the purchase price applicable under the Lease Purchase Agreement at the time of termination or default plus interest thereon at the interest rate per annum borne by the Series 2007 Bonds or due to the Credit Facility Provider (which must be an amount sufficient to pay the principal of and all interest on the Series 2007 Bonds, or to provide for the payment thereof as provided in the Indenture or to pay amounts due to the Credit Facility Provider, with amounts so received to be credited first to such interest and then to principal), then such excess shall be paid to the City by the Corporation, its assigns or its sublessee.

**Default by the Corporation.**

The City shall not have the right to exclude the Corporation from the Communications Property or to take possession thereof (except pursuant to the Lease Purchase Agreement) or to terminate the Communications Property Base Lease prior to the termination of the Communications Property Base Lease Term upon any default by the Corporation hereunder; except that if, upon exercise of the option to purchase the Corporation's interest in the Communications Property under the Lease Purchase Agreement granted to the City in the Lease Purchase Agreement and after the payment of the purchase price specified therein and the other sums payable under the Lease Purchase Agreement, the Corporation fails to convey its interest therein to the City pursuant to said option, then the City shall have the right to terminate the



Communications Property Base Lease, such termination to be effective 30 days after delivery of written notice of such termination to the Corporation. However, in the event of any default by the Corporation hereunder, the City may maintain an action, if permitted in equity, for specific performance.

**Quiet Enjoyment.**

Subject to the Lease Purchase Agreement, the Corporation at all times during the term of the Communications Property Base Lease shall peaceably and quietly have and enjoy the Communications Property.

**No Merger.**

Subject to the provisions in the Communications Property Base Lease, no union of the interests of the City and the Corporation in the Communications Property Base Lease shall result in a merger of the Communications Property Base Lease and the Lease Purchase Agreement or of the Communications Property Base Lease and the title to the equipment described in Communications Property Base Lease.

**Waiver of Personal Liability.**

All liabilities under the Communications Property Base Lease on the part of the Corporation are corporate liabilities of the Corporation, and, to the extent permitted by law, the City releases each and every incorporator, member, agent, employee, director and officer of the Corporation of and from any personal or individual liability under the Communications Property Base Lease. No incorporator, member, agent, employee, director or officer of the Corporation, shall at any time or under any circumstances be individually or personally liable under the Communications Property Base Lease for anything done or omitted to be done by the Corporation hereunder.

**Control of the Communications Property During Communications Property Base Lease Term.**

During the Communications Property Base Lease Term, the Corporation shall have complete control over the Communications Property subject to the Lease Purchase Agreement, the Communications Property Base Lease and Permitted Encumbrances.

\* \* \* \* \*

## **SUMMARY OF THE PREMISES BASE LEASE**

*The following is a summary of certain provisions of the Premises Base Lease (the “Premises Base Lease”). The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Premises Base Lease for a complete recital of the terms thereof.*

### **Representations of the Board.**

The Board represents, warrants and covenants as follows:

- (a) The Board is an agency of the State duly created and existing under and pursuant to the laws of the State of Missouri;
- (b) The Board now owns fee title to the Premises free and clear of any liens or encumbrances except certain Permitted Encumbrances as contemplated in the Premises Base Lease (provided that such representation is based on the Title Policy with respect to the Premises obtained by the City in connection with the issuance of the Series 2007 Bonds), and in the Lease Purchase Agreement, and such real property is presently exempt from property and any other taxes levied by the State of Missouri or any political subdivision thereof.
- (c) The lease of the Premises and any improvements thereto by the Board to the Corporation, as provided in the Premises Base Lease, will provide an essential service to the City and will contribute to the general welfare, safety and benefit of the City and its residents and as a result thereof will serve all of the aforesaid purposes and is therefore necessary, desirable and in the public interest;
- (d) The Board has full power and authority to enter into the transaction contemplated by the Premises Base Lease and to carry out its obligations thereunder, and has been duly authorized to execute and deliver the Premises Base Lease and by proper action has duly authorized the execution and delivery of the Premises Base Lease;
- (e) Neither the execution and delivery of the Premises Base Lease, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated by the Premises Base Lease, conflicts with or results in a material breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Board is now a party or by which the Board is bound; and
- (f) The Board warrants that it will not make, do, execute or suffer, any act or thing whereby the Board's interests in the Premises shall be or may be impaired, charged or encumbered in any manner whatsoever except as permitted by the Premises Base Lease and the Lease Purchase Agreement.

### **Representation of the Corporation.**

The Corporation represents, warrants and covenants as follows:

- (a) The Corporation is a nonprofit corporation duly incorporated under the Missouri Nonprofit Corporation Act and has full corporate power and authority to enter into the Premises Base Lease and by proper corporate action its officers have

been duly authorized to execute and deliver the Premises Base Lease and by proper corporate action the Corporation has duly authorized the execution and delivery of the Premises Base Lease;

- (b) The execution and delivery of the Premises Base Lease and the consummation of the transactions contemplated in the Premises Base Lease will not conflict with or constitute a breach of or default under the Corporation's Articles of Incorporation or Bylaws or any bond, debenture, note or other evidence of indebtedness of the Corporation, or any contract, agreement or lease to which the Corporation is a party or by which it is bound;
- (c) The Corporation will issue its Series 2007 Bonds and will apply a portion of the proceeds of the Series 2007 Bonds to finance the costs of the Improvements;
- (d) Prior to any termination of or default under the Lease Purchase Agreement, the Corporation will not take or cause to be taken any action which will cause the interest on the Series 2007 Bonds to be included in gross income for purposes of Federal and State of Missouri income taxation; and
- (e) The Corporation will do all things necessary to assure the continuation of the tax-exempt status of the Series 2007 Bonds. The Corporation is exempt from Federal taxation on its income pursuant to Section 501(c)(3) of the Code.

#### **Lease of Premises.**

The Board demises and leases to the Corporation the Premises and the Corporation leases from the Board such Premises upon the terms and conditions in the Premises Base Lease provided, subject to Permitted Encumbrances, for a Premises Base Lease Term commencing as of the Dated Date and ending twenty (20) years beyond the final maturity date of the Series 2007 Bonds; provided, however, that if the Series 2007 Bonds have been paid in full at maturity or defeased pursuant to the Indenture and the Board has not been required to surrender possession of the Premises due to an Event of Non-Appropriation or an Event of Default under the Lease Purchase Agreement, the Premises Base Lease will terminate upon such payment in full or defeasance.

Upon acquisition of any additional improvements not now owned by the Board on the Premises, the same shall become a part of the Premises leased hereunder, and shall be subject to all the terms, covenants, conditions and provisions in the Premises Base Lease contained, without further action on the part of either party. Each party hereto shall, upon request of the other party or the Trustee, execute such documents and take such actions as shall be deemed necessary by such other party or the Trustee to further evidence or confirm the lease of such Premises hereunder.

#### **Sublease of the Facilities.**

Simultaneously with the delivery of the Premises Base Lease, the Corporation is leasing the Property to the City, and the City is subleasing the Facilities to the Board, pursuant to the Lease Purchase Agreement, but subject to the Indenture and the reservation of certain rights under the Premises Base Lease. Upon acquisition of any other improvements or equipment as provided in the Premises Base Lease from the Board, the Corporation will likewise lease to the City and the City will sublease to the Board, such improvements or equipment pursuant to the Lease Purchase Agreement, subject to the Indenture.

Pursuant to the Lease Purchase Agreement the City and the Board agree to cooperate to acquire, purchase, construct and install the Improvements on behalf of the Corporation.

#### **Assignment, Subleases and Mortgages.**

The Corporation shall not mortgage or otherwise assign its rights under the Premises Base Lease or sublet the Facilities without the prior written consent of the Board and the Credit Facility Provider except in connection with any assignment of its rights as expressly provided for under the Lease Purchase Agreement.

#### **Rent and Other Considerations.**

As and for rental (the "Premises Base Lease Rent") and in consideration of the leasing of the Premises to the Corporation under the Premises Base Lease, and in order to provide funds for the costs of the Improvements, the Corporation shall (a) issue, sell and cause to be delivered to the purchasers thereof the Series 2007 Bonds in the principal amount, bearing interest, maturing and having the other details as set forth in the Indenture; and (b) deposit the proceeds of the sale of the Series 2007 Bonds as provided in the Indenture.

#### **Additional Bonds.**

The Corporation may issue Additional Bonds for the purposes and upon the terms and conditions provided in the Indenture. The Corporation agrees, upon request of the City Representative and approval by the Board, from time to time, to use its best efforts to issue the amount of Additional Bonds specified by the City and approved by the Board, within the limits of law and under the conditions specified above and in the Indenture, provided that (1) the terms, manner of issuance, purchase price and disposition of proceeds of the sale of such Additional Bonds have been approved by the Board of Aldermen and the Board; (ii) the Corporation and the Board shall have entered into a Supplemental Premises Base Lease and the Corporation, the City and the Board shall have entered into a Supplemental Lease Purchase Agreement, if necessary, to provide for the payment by the City of Rentals sufficient in amount to pay timely as and when due the principal of, redemption premium, if any, and interest on such Additional Bonds; and (iii) the Corporation shall have otherwise complied with the provisions of the Indenture with respect to the issuance of such Additional Bonds.

Upon the request of the City, the Corporation agrees to authorize, within the limits of law, and use its best efforts to issue and if issued to deposit with the Trustee the proceeds from the sale of Additional Bonds to complete the Project as authorized pursuant to the Indenture or to refund all or a portion of the Outstanding Bonds of any series upon the terms and conditions provided in the Indenture.

#### **Disbursement from Project Fund.**

Under the Indenture, the Corporation and the City will authorize and direct the Trustee to disburse moneys (i) in the Facilities Account of the Project Fund for payment of costs of acquisition, construction and installation of the Improvements, and (ii) in the Communications Property Account of the Project Fund for payment of the costs of acquisition and installation of the Communications Property, upon the terms and conditions specified therein and in the Lease Purchase Agreement.

**Termination.**

The Premises Base Lease shall terminate as specified therein; provided, however, in the event the City pays or causes to be paid all Rentals and Additional Rentals provided for in the Lease Purchase Agreement and exercises thereafter the option to purchase the Corporation's interest in the remaining Premises Base Lease Term as provided in the Lease Purchase Agreement, then the Premises Base Lease shall be considered assigned to the Board and terminated through merger of the leasehold interest with the fee interest in the property described in the Premises Base Lease, if the Board is the owner of the fee interest and elects to terminate the leasehold interest so acquired from the Corporation. The Corporation agrees, upon such assignment and termination of the Premises Base Lease Term, to quit and surrender the Facilities as they then exist.

If an Event of Default under the Lease Purchase Agreement occurs for any reason, or if the City terminates the Lease Purchase Agreement and fails to purchase the Corporation's interest in the Facilities as provided in the Lease Purchase Agreement, the Corporation shall have the right to possession thereof for the remainder of the Premises Base Lease Term and shall have the right to sublease the same or, sell its interest therein and in the Premises Base Lease upon whatever terms and conditions it deems prudent; provided, that the Facilities shall always be operated for a lawful purpose. In such event, if the Board so requests, the Corporation shall provide the Board with adequate public liability insurance covering the Facilities for the remainder of the Premises Base Lease Term and will furnish the Board with evidence thereof. In the event that the Corporation shall receive a payment for the sale of its interest or total rental payments for subleasing that are, after the payment of the Corporation's expenses in connection therewith, including fees and expenses of the Trustee, in excess of the purchase price applicable under the Lease Purchase Agreement at the time of termination or default plus interest thereon at the interest rate per annum borne by the Bonds or due to the Credit Facility Provider (which must be an amount sufficient to pay the principal of and all interest on the Bonds, or to provide for the payment thereof as provided in the Indenture, or to pay amounts due to the Credit Facility Provider with amounts so received to be credited first to such interest and then to principal), then such excess shall be paid to the Board by the Corporation, its assigns or its sublessee.

**Default by the Corporation.**

The Board shall not have the right to exclude the Corporation from the Facilities or to take possession thereof (except pursuant to the Lease Purchase Agreement) or to terminate the Premises Base Lease prior to the termination of the Premises Base Lease Term upon any default by the Corporation hereunder; except that if, upon exercise of the option to purchase the Corporation's interest in the Facilities under the Lease Purchase Agreement granted to the City in the Lease Purchase Agreement and after the payment of the purchase price specified therein and the other sums payable under the Lease Purchase Agreement, the Corporation fails to convey its interest therein to the Board pursuant to said option, then the Board shall have the right to terminate the Premises Base Lease, such termination to be effective 30 days after delivery of written notice of such termination to the Corporation. However, in the event of any default by the Corporation hereunder, the Board may maintain an action, if permitted in equity, for specific performance.

**Quiet Enjoyment.**

Subject to the Lease Purchase Agreement, the Corporation at all times during the term of the Premises Base Lease shall peaceably and quietly have and enjoy the Facilities and use of the equipment located therein.

**No Merger.**

Subject to the provisions of the Premises Base Lease, no union of the interests of the Board and the Corporation in the Premises Base Lease shall result in a merger of the Premises Base Lease and the Lease Purchase Agreement or of the Premises Base Lease and the fee title to the real estate described in the Premises Base Lease.

**Waiver of Personal Liability.**

All liabilities under the Premises Base Lease on the part of the Corporation are corporate liabilities of the Corporation, and, to the extent permitted by law, the Board releases each and every incorporator, member, agent, employee, director and officer of the Corporation of and from any personal or individual liability under the Premises Base Lease. No incorporator, member, agent, employee, director or officer of the Corporation, shall at any time or under any circumstances be individually or personally liable under the Premises Base Lease for anything done or omitted to be done by the Corporation hereunder.

**Control of the Facilities During Premises Base Lease Term.**

During the Premises Base Lease Term, the Corporation shall have complete control over the Facilities subject to the Lease Purchase Agreement, the Premises Base Lease and Permitted Encumbrances.

\* \* \* \* \*

## SUMMARY OF THE LEASE PURCHASE AGREEMENT

*The following is a summary of certain provisions of the Lease Purchase Agreement (the "Lease Purchase Agreement"). The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Lease Purchase Agreement for a complete recital of the terms thereof.*

### **Representations by the Corporation.**

The Corporation represents, warrants and covenants as follows:

- (a) The Corporation is a nonprofit corporation duly incorporated under the Missouri Nonprofit Corporation Act and has corporate power to enter into the Lease Purchase Agreement, the Indenture, the Premises Base Lease, the Communications Property Base Lease, the Tax Compliance Agreement and other documents related to this transaction (the "*Corporation Documents*"), and to carry out its obligations hereunder and thereunder. By proper corporate action its officers have been duly authorized to execute and deliver the Corporation Documents.
- (b) The execution and delivery of the Corporation Documents, and the consummation of the transactions contemplated therein will not conflict with or constitute a breach of or default under the Corporation's articles of incorporation or bylaws or any bond, debenture, note or other evidence of indebtedness of the Corporation, or any contract, agreement, lease or sublease to which the Corporation is a party or by which it is bound or materially affecting its property or assets.
- (c) The Corporation has received a leasehold interest in the Premises from the Board pursuant to the Premises Base Lease and has also received a leasehold interest in the Communications Property from the City pursuant to the Communications Property Base Lease and such property is free and clear of any liens and encumbrances except the Permitted Encumbrances. The Corporation will use reasonable efforts to obtain and maintain for the Facilities and the Communications Property exemptions from property and other taxes levied by the State of Missouri, any political subdivision thereof and the City.
- (d) The leasing of the Project to the City and the issuance of the Series 2007 Bonds to provide funds to the City to finance the Costs of the Project will further the public purpose of the Corporation.
- (e) The Corporation will do all things necessary and within its control to assure the continuation of the tax-exempt status of the Series 2007 Bonds.
- (f) The Corporation is exempt from federal taxation on its income pursuant to Section 501(c)(3) of the Code.

### **Representations by the City.**

The City represents, warrants and covenants as follows:

- (a) The City is a governmental unit and political subdivision duly organized and existing under the Constitution and laws of the State. The City pursuant, to the Constitution and laws of the State and its Charter, including, but not limited to

Article I, Section 1, subsections (4), (7), (8), (15), (32), (33) and (35) and Section 2 thereof, and by Ordinance No. 67618 adopted by the Board of Aldermen of the City (the “Board of Aldermen”) on July 20, 2007, and approved by the Mayor of the City on July 30, 2007 (the “*Ordinance*”), has full power and authority to execute, deliver and perform the Lease Purchase Agreement, the Tax Compliance Agreement, the Communications Property Base Lease, and other documents related to this transaction (the “*City Documents*”), and to enter into the transactions contemplated by the Lease Purchase Agreement and thereby and to carry out its obligations under the Lease Purchase Agreement and thereunder.

- (b) The lease of the Property by the Corporation to the City, as provided in the Lease Purchase Agreement, and the issuance by the Corporation of the Series 2007 Bonds will promote the economic, social, industrial, cultural and commercial growth of the City and will contribute to the general welfare and benefit of the City and its residents and is therefore necessary, desirable and in the public interest.
- (c) Neither the execution and delivery of the City Documents, or the fulfillment of or compliance with the terms and conditions thereof, or the consummation of the transactions contemplated thereby conflicts with or results in a material breach of the terms, conditions or provisions of or constitutes a default under any mortgage, deed of trust, lease or any other corporate restriction or any agreement or any statute, order, rule or regulation applicable to the City or any of its property of any court or governmental body, or results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City under the terms of any instrument or agreement to which the City is a party.
- (d) The City has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the City’s interests in any property now or hereafter included in the Project shall be or may be impaired, changed or encumbered in any manner whatsoever except as permitted by the Communications Property Base Lease, the Premises Base Lease, the Indenture, or the Lease Purchase Agreement.
- (e) The City covenants and agrees to enter into and comply with the provisions of the Continuing Disclosure Agreement for the benefit of the Bondholders or similar undertaking intended to satisfy the ongoing disclosure requirements of the Securities and Exchange Commission Rule 15c2-12.
- (f) The City Documents when executed with respect to the Series 2007 Bonds will constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors’ rights generally.
- (g) Pursuant to the Communications Property Base Lease, the Corporation has been vested with a good and valid leasehold interest in the Communications Property subject to Permitted Encumbrances. Pursuant to the Premises Base Lease, the Corporation has been vested with a good and valid leasehold interest in the Premises subject to Permitted Encumbrances. Pursuant to the Lease Purchase Agreement the City has leased the Facilities and the Communications Property



from the Corporation and may purchase the Corporation's interest in the Project from the Corporation if the City exercises the option granted in the Lease Purchase Agreement.

- (h) Nothing in the Lease Purchase Agreement shall be construed to require the City to operate the Property other than as lessee, or to require the City to exercise its right to purchase the Corporation's interest in the Property as provided in the Lease Purchase Agreement.
- (i) To the knowledge of the City, no member of the Board of Aldermen of the City or any other officer of the City has any significant or conflicting interest, financial, employment or otherwise, in the Project or in the transactions contemplated by the Lease Purchase Agreement.
- (j) There is no action or proceeding pending or to the knowledge of the City threatened by or against the City by or before any court or administrative body that would materially adversely affect the ability of the City to perform its obligations under the City Documents and all authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the City as of the date hereof in connection with the execution and delivery of the City Documents, or in connection with the performance of the obligations of the City thereunder, have been obtained.

**Representations by the Board.** The Board represents, warrants and covenants as follows:

- (a) The Board is an agency of the State of Missouri pursuant to Chapter 84 of the Revised Statutes of the State of Missouri, as amended, and has corporate power to enter into the Lease Purchase Agreement and the Premises Base Lease (the "*Board Documents*"), and to enter into the transactions contemplated by the Lease Purchase Agreement and thereby and to carry out its obligations hereunder and thereunder. By proper corporate action its officers have been duly authorized to execute and deliver the Board Documents.
- (b) The execution and delivery of the Board Documents and the consummation of the transactions contemplated therein will not conflict with or constitute a material breach of or default under any bond, debenture, note or other evidence of indebtedness of the Board, or any contract, agreement or sublease to which the Board is a party or by which it is bound or materially affecting its property or assets, or any order, rule or regulations applicable to the Board or any of its property of any court or governmental body, or constitute a material default under any of the foregoing, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Board under the terms of any instrument or agreement to which the Board is a party.
- (c) The Premises comply with and the Improvements will comply in all material respects with all presently applicable building and zoning, health, environmental and safety ordinances and laws and with all other applicable laws, rules and regulations.
- (d) The Board will not take any action or fail to take any action that would cause the interest on the Series 2007 Bonds to be taxable for federal income tax purposes.

### **Conveyance; Granting of Leasehold.**

Simultaneously with the issuance of the Series 2007 Bonds, the Corporation shall deposit the proceeds of the Series 2007 Bonds in accordance with the Indenture. The Series 2007 Bond proceeds shall be utilized as provided in the Indenture. The Corporation, under the Lease Purchase Agreement rents and leases the Property, subject to Permitted Encumbrances, unto the City and the City rents and leases the Property from the Corporation for the Rentals and Additional Rentals and subject to the terms and conditions in the Lease Purchase Agreement set forth.

The City, under the Lease Purchase Agreement rents, leases and sublets its interest in the Facilities, subject to Permitted Encumbrances, unto the Board and the Board rents and leases such Facilities, subject to Permitted Encumbrances, from the City in consideration of the Board Rentals and subject to the terms and conditions in the Lease Purchase Agreement set forth. The City by the Lease Purchase Agreement assigns the Board Rentals to the Corporation as security for and in payment of a portion of the Rentals and Additional Rentals due from the City under the Lease Purchase Agreement. Any payment of Board Rentals to the Corporation by the Board shall be deemed to be a payment of that portion of the Rentals and Additional Rentals otherwise due from the City to the Corporation under the Lease Purchase Agreement related to the Improvements. All rights and responsibilities granted to the City in the Facilities pursuant to the Lease Purchase Agreement are by the Lease Purchase Agreement subleased or transferred to the Board as further provided in the Lease Purchase Agreement.

The City does by the Lease Purchase Agreement lease and demise such additional Communications Property acquired by the City and leased to the City by the Corporation pursuant to the Communications Property Base Lease, subject to Permitted Encumbrances, upon the terms and conditions in the Lease Purchase Agreement provided.

Upon acquisition by the City of an interest in any Communications Property not now owned by the City, the same shall become a part of the Communications Property leased hereunder, and shall be subject to all terms in the Lease Purchase Agreement contained without further action on the part of any party. Upon the acquisition of any other land by the Corporation (to the extent that such land relates solely to the Project) the same shall become a part of the Property leased hereunder together with all the improvements and installations at that time or thereafter acquired, constructed or installed by the City, subject to all terms, covenants and provisions in the Lease Purchase Agreement contained, without further action on the part of either party. In each case, each party hereto shall, upon the request of any other party to the Lease Purchase Agreement or of the Trustee, execute such documents and take such actions as shall be deemed necessary by such other party or the Trustee to further evidence or confirm the lease of the Property hereunder. The Corporation shall take all necessary steps on or prior to the date of closing of the Series 2007 Bonds to provide the Trustee and the Credit Facility Provider with a valid and binding lien upon the Property with respect to the Series 2007 Bonds, subject only to Permitted Encumbrances.

The City by the Lease Purchase Agreement agrees that, upon the Corporation's or the Credit Facility Provider's request, it will file, or cause the filing of, any financing statements, as well as extensions, renewals and amendments thereof, in such form as may be required to perfect the Corporation's security interest in and with respect to the Property. The City shall pay all costs of filing such financing statements as well as any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements which the Corporation or the Credit Facility Provider may reasonably require.

**Term of Lease Purchase Agreement; Termination; Annual Appropriation Required.**

The Term of the Lease Purchase Agreement shall have commenced as of the date of execution and delivery of the Lease Purchase Agreement, and shall terminate on the earliest of the occurrence of any of the following events: (i) an Event of Nonappropriation with respect to the City; (ii) an Event of Default with respect to the City under the Lease Purchase Agreement, if the Corporation or the Trustee has elected, either subject to the prior written consent of the Credit Facility Provider or at the prior written direction of the Credit Facility Provider, such remedies as are provided in the Lease Purchase Agreement; or (iii) discharge of the Indenture as provided in the Indenture and provision by the City for the payment of Additional Rentals required pursuant to the Lease Purchase Agreement. Upon the expiration or termination of the term of the Lease Purchase Agreement, the City's right of use of the Property shall terminate and the City shall immediately quit and vacate the Property; provided, however, that all other terms of the Lease Purchase Agreement and the Indenture, including the continuation of City's purchase right of the Corporation's interest in the Property under the Lease Purchase Agreement and all obligations of the Trustee with respect to the Bondholders and the receipt and disbursement of funds shall continue until the lien of the Indenture is discharged, as provided therein, and further provided that all obligations of the City to pay any amounts to the Bondholders and the Trustee hereunder shall thereafter be satisfied only as provided in the Indenture. The termination or expiration of the term of the Lease Purchase Agreement, of itself, shall not discharge the lien of the Indenture.

Subject to the following two paragraphs, the payment obligations of the City under the Lease Purchase Agreement shall be absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever and shall be sufficient to provide all funds required for debt service on the Series 2007 Bonds, and for all other amounts required under the Indenture.

If the City fails to pay any portion of the Rentals or Additional Rentals which are due hereunder, upon the request of the Trustee, the Corporation or the Board, the City will immediately quit and vacate the Property and the Rentals and Additional Rentals (except for payments which have been theretofore appropriated and are then available for such purpose) shall thereupon cease, it being understood among the parties that the City shall not be obligated to pay any Rentals or Additional Rentals to the Corporation hereunder except as provided in the Lease Purchase Agreement. Should the City fail to pay any portion of the required Rentals and Additional Rentals, the Trustee in accordance with the Indenture may immediately bring legal action to evict the City from the Property. No judgment may be entered against the City for failure to pay any Rentals or Additional Rentals, except to the extent that the City has theretofore incurred liability to pay such Rentals or Additional Rentals through its actual use and occupancy of the Property.

The Rentals and Additional Rentals constitute current expenses of the City and the City's obligations hereunder are from year to year only and do not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the current Fiscal Year. No provision hereof shall be construed or interpreted as creating a general obligation or other indebtedness of the City or any agency or instrumentality of the City within the meaning of any constitutional or statutory debt limitation. Neither the execution, delivery and performance of the Lease Purchase Agreement nor the issuance of the Bonds directly or indirectly or contingently obligates the City to make any payments hereunder beyond those payments appropriated for the City's then current Fiscal Year; provided, however, that nothing in the Lease Purchase Agreement shall be construed to limit the rights of the Bondholders or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture.

The City covenants and agrees that the City's Budget Director, or any other officer at any time charged with responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen, in any year during the Lease Term, a request or requests for the Rentals and a reasonable estimate of Additional Rentals. Requests for appropriations shall be made in each Fiscal Year so that the Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the Rentals and Additional Rentals to provide financing for the Project pursuant to the Lease Purchase Agreement shall be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. Under the Lease Purchase Agreement, the City as stated that it presently expects, in each Fiscal Year of the City during the Lease Term, to appropriate funds in an amount sufficient to pay principal of, redemption premium, if any, and interest, on the Series 2007 Bonds. The Rentals and reasonably estimated Additional Rentals will be available upon appropriation for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease Purchase Agreement.

As early as practicable, and in any case no later than three (3) Business Days following the date on which the budget for any Fiscal Year is finally approved by the Board of Aldermen, the City shall forward to the Corporation, with a copy to the Trustee and the Credit Facility Provider, either (i) notice of the termination of the Lease Purchase Agreement or (ii) confirmation that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Rentals for such Fiscal Year. Notice that sufficient funds have been appropriated for such Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all payments of Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required for such Fiscal Year by the terms of the Lease Purchase Agreement. If the Trustee does not receive such notice prior to June 30 (or such future date the City shall adopt as the end of its Fiscal Year) of such Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If such appropriation has not been made, all of the City's right, title, interest and obligations under the Lease Purchase Agreement shall terminate without penalty on the last day of the Fiscal Year for which appropriation of Rentals has been made. Subject to the Lease Purchase Agreement, failure of the City to budget and appropriate prior to June 30 (or such future date as the City shall adopt as the end of its Fiscal Year) of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals during such Fiscal Year, shall constitute an Event of Nonappropriation. The Trustee shall provide written notice to the Board of any Event of Nonappropriation.

The City intends, subject to the provisions above with respect to the failure of the City to budget or appropriate funds to pay Rentals and a reasonable estimate of Additional Rentals, to continue the Lease Term and to pay the Rentals and Additional Rentals hereunder. The City reasonably believes that legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Term can be obtained. Notwithstanding the foregoing, the decision to budget and appropriate funds or to continue the Lease Term is to be made in accordance with the City's normal procedures for such decisions.

#### **Use of Property.**

The City shall have the right to use, occupy or operate the Property for any lawful public purpose and shall not use, occupy or operate the Property so as to make void or voidable any insurance then in force with respect thereto.

**Quiet Enjoyment and Possession.**

During the Lease Term the Corporation shall provide the City with quiet use and enjoyment of the Property, and the City shall during such Lease Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in the Lease Purchase Agreement. The Corporation shall have the right to inspect the Property as provided in the Lease Purchase Agreement.

**Board Covenant.**

In order to meet its responsibilities under the Lease Purchase Agreement, the Board covenants and agrees that the Board's Budget Director, or any other officer at any time charged with responsibility of formulating budget proposals, is directed, in each year during the Lease Term, to include in the Board's budget proposals and submit such budget proposal within the time required by Missouri law certifying to the Board of Aldermen the requested amount for appropriation as Board Rentals. Requests by the Commissioners for appropriations by the City shall be made in each fiscal year so that the Board Rentals will be available for such purpose. The Board presently expects, in each Fiscal Year of the Board during the Lease Term, to certify to the City each request for appropriation of funds in the amount of Board Rentals. Upon such appropriation by the City, the Board Rentals will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease Purchase Agreement and in no event later than July 1 of each year.

The Board shall give notice to the City, the Corporation, the Credit Facility Provider and the Trustee no later than March 15 of each Fiscal Year of the Board, if it does not budget and certify a request for appropriation of Board Rentals for the next succeeding Fiscal Year to meet the Board's agreement as provided in the Lease Purchase Agreement. Failure of the Board to budget and certify a request for appropriation by the City of Board Rentals shall terminate the lease of the Facilities by the City to the Board under the Lease Purchase Agreement as of the end of the Fiscal Year for which no budget request has been made.

The Board intends to budget and certify to the City a request for appropriation of funds to pay Board Rentals to continue the Lease Term and to pay the Board Rentals hereunder. Notwithstanding the foregoing, the decision to budget and certify to the City the Board's request for appropriation of funds to pay Board Rentals is to be made in accordance with the Board's normal procedures for such decisions.

**Use of Facilities.**

The Board shall have the right to use, occupy or operate the Facilities for any lawful public purpose and shall not use, occupy or operate the Facilities so as to make void or voidable any insurance then in force with respect hereto and will not take any action or fail to take any action which would cause interest on the Series 2007 Bonds to become subject to Federal or Missouri income taxes. During the Lease Term, the City shall provide the Board with quiet use and enjoyment of the Facilities and the Board shall during such Lease Term peaceably and quietly have and hold and enjoy the Facilities without suit, trouble or hindrance from the City, except as expressly set forth in the Lease Purchase Agreement.

**Rentals.**

The City, subject to the provisions of the Lease Purchase Agreement, agrees to pay or cause to be paid the amounts required by the Lease Purchase Agreement as follows:

Until the principal of, premium, if any, and interest on the Series 2007 Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the City shall pay to the Trustee as assignee of the Corporation as to the Series 2007 Bonds, in funds which will be immediately available to the Trustee not less than five (5) Business Days before the date any payment is due, as Rentals in respect of the Property, amounts which shall correspond to the payments in respect of the principal of, premium, if any, and interest on the Series 2007 Bonds whenever and in whatever manner the same shall become due, whether at Stated Maturity, upon redemption or acceleration or otherwise (said amounts being defined as “*Rentals*”).

The City covenants and agrees that it will pay Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, or interest on the Series 2007 Bonds shall at any time occur. If the balance in the Bond Fund (not subject to the lien of the Trustee under the Indenture) is less than the sum then required to be on deposit therein in order to pay the principal of, premium, if any, and interest then payable on the Series 2007 Bonds in accordance with the provisions of this Section, the City will forthwith pay as Rentals any such deficiency to the Trustee for deposit in the Bond Fund in immediately available funds and the Trustee shall deposit such sum accordingly; provided that any amount at any time held by the Trustee in the Bond Fund (not subject to the lien of the Trustee under the Indenture) for the payment of the principal of, premium, if any, and interest on the Series 2007 Bonds shall, at the election of the City, be credited against the Rentals next required to be paid by the City, to the extent such amount is in excess of the amount required for payment of (i) any Series 2007 Bonds theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Series 2007 Bonds or interest checks have not been presented for payment; and provided, further, that if the amount held by the Trustee in the Bond Fund (not subject to the lien of the Trustee under the Indenture) shall be sufficient to pay at the times required the principal of, premium, if any, and interest on all of the Series 2007 Bonds then remaining unpaid, the City shall not be obligated to pay Rentals.

The City covenants and agrees to pay or cause to be paid the Rentals to the Trustee at its principal corporate trust office for the account of the Corporation during the Lease Term on or before 11:00 A.M., Trustee’s local time, in the appropriate amount and on the Rental payment dates. All Rentals shall be deposited by the Trustee in accordance with the provisions hereof and of the Indenture and shall be used and applied by the Trustee in the manner and for the purpose set forth in the Indenture.

**Additional Rentals.**

The City shall pay or cause to be paid, subject to the provisions of the Lease Purchase Agreement, as Additional Rentals:

- (a) To the Trustee amounts equal to the amounts to be paid to the Trustee pursuant to the Indenture;
- (b) all Impositions (as defined in the Lease Purchase Agreement);
- (c) all amounts required under the Lease Purchase Agreement which amounts shall be deposited by the Trustee in the Bond Fund pursuant to the Indenture;

- (d) all costs incident to the payment of the principal of and interest on the Bonds as the same become due and payable, including all costs, premiums and expenses in connection with the call, redemption and payment of all Outstanding Bonds;
- (e) the payments, if any, which the City shall be required to pay to the Credit Facility Provider pursuant to the Indenture to the extent such payments do not constitute Rentals;
- (f) all reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease Purchase Agreement or the Indenture by the Corporation or the Trustee and any reasonable expenses incurred by the Corporation to enable it to comply with the provisions of the Communications Property Base Lease, the Premises Base Lease, the Indenture, or the Lease Purchase Agreement;
- (g) all reasonable and necessary fees and expenses due the Corporation incurred in connection with the Series 2007 Bonds, or the establishment and maintenance of the Corporation's status as a Missouri nonprofit corporation or a qualified 501(c)(3) corporation;
- (h) all reasonable and necessary fees and expenses due the Board incurred in connection with the Series 2007 Bonds;
- (i) all amounts required to be rebated to the United States as provided in the Indenture;
- (j) any reasonable amount due and owing by the Corporation as a consequence of complying with the Communications Property Base Lease, the Premises Base Lease, the Indenture, the Tax Compliance Agreement and the Lease Purchase Agreement or any other documents delivered in connection with the Series 2007 Bonds ;
- (k) any reasonable amount due and owing by the Board as a consequence of complying with the Indenture or the Lease Purchase Agreement;
- (l) any and all additional amounts owed by the City in connection herewith.

**Rentals and Additional Rentals, Payable without Abatement or Set-Off; City Obligations, Assignments of Rentals and Certain Additional Rentals.**

Subject to the provisions of the Lease Purchase Agreement, the City covenants and agrees with and for the express benefit of the Corporation and the Board that all payments of Rentals and Additional Rentals shall be made by the City on or before the date the same become due, and the City shall perform all of its other obligations, covenants and agreements hereunder without notice or demand, and without abatement, offset, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and irrespective of whether any portion of the Project shall have been started or completed and shall be sufficient to provide all funds required for debt service on the Series 2007 Bonds, for funding of the Debt Service Reserve Fund, and for all other amounts required under the Indenture.

Nothing in the Lease Purchase Agreement shall be construed as a waiver by the City of any rights or claims the City may have against the Corporation under the Lease Purchase Agreement or otherwise, but any recovery upon such rights and claims shall be had from the Corporation separately, it being the intent of the Lease Purchase Agreement that the City shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under the Lease Purchase Agreement (including the obligation to pay Rentals and Additional Rentals), subject to the provisions of the Lease Purchase Agreement. The City may, however, at its own cost and expense and in its own name or in the name of the Corporation, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Corporation by the Lease Purchase Agreement agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Corporation in any such action or proceeding if the City shall so request.

The obligation of the City to pay Rentals and Additional Rentals is subject to the provisions of the Lease Purchase Agreement and does not constitute a general obligation or indebtedness of the City for which the City is obligated to levy or pledge any form of taxation, or for which the City has levied or pledged any form of taxation and shall not be construed to be a debt of the City for any purpose whatsoever or in contravention of any applicable constitutional, statutory or charter limitation or requirement, but in each Fiscal Year shall be payable solely from the amounts, if any, appropriated therefor out of the income and revenue provided for such year plus any unencumbered balances from previous years.

#### **Prepayment of Rentals.**

The City may at any time prepay all or any part of the Rentals provided for hereunder to the extent provided in the Indenture for redemption of the Bonds.

#### **Redemption of Bonds; Purchase of Bonds.**

With respect to the Series 2007 Bonds, the Corporation shall cause the Trustee, on behalf of the Corporation, to take all steps necessary and permitted under the applicable provisions of the Indenture for the redemption of the Series 2007 Bonds upon receipt by the Corporation and the Trustee of a written notice from the City, if notice of redemption is required by the Indenture: (i) specifying the principal amount of Bonds to be redeemed; (ii) fixing the date of such redemption; and (iii) giving directions to provide notice of redemption as may be required by the Indenture.

Such notice by the City shall be revocable by the City at any time prior to the time at which the Series 2007 Bonds are to be redeemed or are deemed to be paid in accordance with the Indenture.

#### **Payments of Board Rentals by the Board.**

The Board and the City agree that, on behalf of the Corporation, they will cooperate to acquire, purchase, construct and install the Improvements for the benefit of the City and the Board, solely from the proceeds of the Series 2007 Bonds deposited in the Facilities Account of the Project Fund. As and for rental and in consideration of the City's leasing of the City's interest in the Facilities to the Board under the Lease Purchase Agreement and in order to provide funds for a portion of the Costs of the Project, the Board by the Lease Purchase Agreement agrees to pay Board Rentals to the City; provided that funds for payments of Board Rentals from the Board shall be limited to the Capital Improvement Sales Tax revenues on deposit in the Police Department Capital Improvements Account of the Capital Improvement Sales Tax Trust Fund, to the extent appropriated each year by the City and to the extent legally available therefore. To implement this obligation, the Board covenants and agrees that it will timely perform the actions required pursuant to the Lease Purchase Agreement. Upon each request for appropriation to the



City and renewal of the Lease Purchase Agreement, the Board shall be deemed to have assigned to the City the amounts appropriated by the City to the Board for the payment of Board Rentals, comprised of Capital Improvement Sales Tax Revenues on deposit in the Police Department Capital Improvements Account of the Capital Improvement Sales Tax Trust Fund for the then current fiscal year of the Board. Notwithstanding anything in the Lease Purchase Agreement to the contrary, the Board's obligation to pay Board Rentals is limited in amount solely to the amount of Capital Improvement Sales Tax revenues appropriated by the City to the Board in each Fiscal Year for such purpose and the Board shall have no obligation to fund any shortfall between Board Rentals and the amount needed for payment of principal of, premium, if any, and interest on the Series 2007 Bonds.

#### **City Covenant with Respect to Capital Improvement Sales Tax Revenues.**

The City by the Lease Purchase Agreement agrees that during each Fiscal Year or portion thereof in which the Series 2007 Bonds remain outstanding, the City will not use Capital Improvement Sales Tax Revenues on deposit in the Police Department Capital Improvements Account of the Capital Improvement Sales Tax Trust Fund in the then-current Fiscal Year, for any purpose other than for appropriation to the Board to be applied toward payment of Rentals and Additional Rentals under the Lease Purchase Agreement during the then-current Fiscal Year, unless such payments of Rentals and Additional Rentals, if any, have been provided for; provided, however, after provision for payment of Rentals and Additional Rentals, any amount on deposit in the Police Department Capital Improvement Account of the Capital Improvement Sales Tax Trust Fund in excess of the amount necessary during each Fiscal Year to pay Board Rentals may be applied for other authorized purposes.

#### **The Project.**

With the proceeds of the Series 2007 Bonds, the City shall cause the funding of the Project and the payment of the Costs of Issuance in connection with the issuance and sale of the Series 2007 Bonds. The City and the Board will cooperate to purchase, construct, equip and install furnishings and equipment for the Project in accordance with the applicable construction plans and specifications, a copy of which shall be made available to the Trustee upon request. The City agrees that the foregoing acquisition, constructions, equipping and installation, will, with such changes and additions as may be made hereunder, result in Facilities and Communications Property suitable for use by the Board and the City.

The aggregate "insurable value" of the Property shall be greater than the Outstanding principal amount of the Series 2007 Bonds insured by the Credit Facility Provider. The "insurable value" shall be the full replacement value less the standard exclusions for which the Property is insured pursuant to Section 7.2 of the Lease Purchase Agreement,

#### **Payment for Costs of the Project.**

All Costs of the Project to be paid for from proceeds of the Series 2007 Bonds shall be paid by the Trustee from the applicable account in the Project Fund pursuant to the Indenture. The Corporation, the Board and the City by the Lease Purchase Agreement authorize the Trustee to make such disbursements from the applicable account in the Project Fund upon receipt by the Trustee of certificates signed by the City Representative and the Corporation Representative in the form of the certificate attached to the Indenture. The sole obligations of the Corporation under this paragraph shall be to cause the Trustee to make such disbursements upon receipt of such certificates. The Trustee may conclusively rely on any such certificates and shall not be required to make any investigation in connection therewith.

**Deficiency of the Project Fund.**

In the event the aggregate amount of Costs of the Project exceeds the sum of the amount of funds in the Project Fund, plus other moneys available for construction of the Project, if any, the City and the Board will cooperate to modify the Project to include only those components which can be completed with the aforesaid amounts.

**Establishment of Completion Date; Disposition of Remaining Moneys in the Project Fund.**

The Completion Date for the Project shall be evidenced to the Trustee by a certificate setting forth the Completion Date and stating that, except for amounts retained by the Trustee to pay any Costs of the Project not then due and payable, (i) the acquisition, construction, equipping and installation of the Project has been completed substantially in accordance with the plans and specifications with respect to the Project, and all labor, services, materials and supplies used in such acquisition, construction, equipping and installation have been paid for, (ii) all of the facilities necessary in connection with the Project have been acquired, constructed, equipped and installed in accordance with the plans and specifications therefore and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

All amounts in the Project Fund after the Completion Date for the Project shall at the written direction of the Corporation be applied for or deposited as provided in the Indenture. Any amounts deposited in the Bond Fund pursuant to said the Indenture shall be applied in accordance with the provisions of the Indenture.

**Impositions.**

The City shall, subject to the provisions of the Lease Purchase Agreement, during the Lease Term, bear, pay and discharge, before the delinquency thereof, as Additional Rentals, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Property or the Corporation's or the City's interest in the Property or the income therefrom or Rentals and other amounts payable under the Lease Purchase Agreement, including any new taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Series 2007 Bonds or the Credit Facility Provider or encumber the Corporation's title to the Property.

Subject to the provisions of the Lease Purchase Agreement, the Board shall, during the Lease Term, bear, pay and discharge, before the delinquency thereof, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Facilities or the income therefrom and other amounts payable under the Lease Purchase Agreement, including any new taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Series 2007 Bonds or the Credit Facility Provider or encumber the Corporation's title to the Facilities. The obligations of the Board under this paragraph are in addition to its obligation to pay Board Rentals under the Lease Purchase Agreement.

### **Contest of Impositions.**

The City, the Trustee and the Credit Facility Provider shall have the right, in the City's name or in the Corporation's name upon notice to the City, the Trustee, the Corporation and the Credit Facility Provider, to contest the validity or amount of any Imposition which the City with respect to the Communications Property or the Board with respect to the Facilities is required to bear, pay and discharge pursuant to the terms of the Lease Purchase Agreement by appropriate legal proceedings instituted at least 10 days before the Imposition which is being contested becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Corporation, the Credit Facility Provider or the Trustee shall notify the City and the Board that, in the opinion of Counsel, by nonpayment of any such items, the interest of the Corporation, the Trustee, or the Credit Facility Provider in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the City with respect to the Communications Property or the Board with respect to the Facilities shall promptly pay such taxes, assessments or charges or provide the Corporation, the Trustee, and the Credit Facility Provider with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation, the Credit Facility Provider and the Trustee. The Corporation agrees to cooperate with the City and the Board in connection with any and all administrative or judicial proceedings related to Impositions. The City with respect to the Communications Property or the Board with respect to the Facilities shall hold the Corporation, the Trustee and the Credit Facility Provider harmless from any costs and expenses the Corporation, the Trustee and the Credit Facility Provider may incur related to any of the above.

### **Liability Insurance: Indemnification.**

The City shall obtain and maintain or shall cause to be obtained and maintained in force at all times during the Lease Term commercial insurance coverage against liability for injuries to or disability or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the respective components of the Property or any part thereof meeting the requirements of the Lease Purchase Agreement. The proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid.

As an alternative to the provisions in the preceding paragraph, the City may, under the City's customary insurance practices (which may include self-insurance subject to availability of appropriation therefor) or otherwise, take such measures as may be necessary to insure against liability for injuries to or disability or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Property or any part thereof during the term of the Lease Purchase Agreement.

### **Property Insurance.**

The City shall obtain and maintain or shall cause to be obtained and maintained in force at all times during the Lease Term commercial property insurance coverage insuring against loss or damage by fire, lightening, earthquake and all other risks covered by the extended coverage insurance endorsement then in use in the State for the Property in an amount not less than the full replacement value less the standard exclusions (which amount shall be as approved by the Credit Facility Provider). Any such insurance may be subject to reasonable deductibles. The Corporation, the Board, the Trustee, the Credit Facility Provider and the City shall each be named as loss payees in any such insurance policy. As an alternative, with the prior written consent of the Credit Facility Provider the City may self insure for the risks described in this section, under customary insurance practices. The net proceeds of any such insurance shall be applied as provided in the Lease Purchase Agreement

**Workers' Compensation Insurance.**

The City agrees throughout the Lease Term to maintain, in connection with the Project, its status as a qualified self-insurer under Chapter 287 of the Missouri Revised Statutes, as amended, with regard to Workers' Compensation Insurance or, with the prior written consent of the Credit Facility Provider, similar reasonable and customary insurance.

**Title Insurance.**

The City shall obtain and deliver to the Trustee and the Credit Facility Provider, a leasehold and owner's title insurance policy with respect to the real property included in the Project, in an aggregate principal amount not less than the principal amount of the Series 2007 Bonds, satisfactory to the Credit Facility Provider.

**Assignment, Etc. by the Corporation of the Board.**

Pursuant to the Granting Clauses of the Indenture, the Corporation is concurrently assigning the Lease Purchase Agreement and all the rights and interests of the Corporation hereunder, including pledging and granting to the Trustee a security interest in all moneys receivable hereunder (except for its rights to receive certain payments and its rights to indemnification under the Lease Purchase Agreement) and in the Property, including a deed of trust covering its interest in the Property, in connection with the Series 2007 Bonds as security for payment of the principal of, premium, if any, and interest on the Series 2007 Bonds and any Additional Bonds. The City and the Board consent to such assignments of the Lease Purchase Agreement and the Rentals and such Additional Rentals receivable hereunder. The City by the Lease Purchase Agreement agrees that, subject to the Lease Purchase Agreement, as to the Trustee, its obligation to make such payments shall be absolute and unconditional and without any defense or right of abatement, diminution, counterclaim or set-off arising out of any breach by the Corporation, the Board or the Trustee of any obligation to the City.

**Assignment, Subleasing, Management Contracts and Licensing by the City.**

The Lease Purchase Agreement may not be assigned by the City (except its interest in the Facilities pursuant to the Lease Purchase Agreement, which is acknowledged and approved) without the prior written consent of the Corporation, the Board and the Credit Facility Provider. However, the City's interest in the Project may be subleased by the City subject to the Lease Purchase Agreement and the Deed of Trust, in whole or in part, including with consent of the Board, a long-term contract for the use of or provision of services with respect to the Communications Property (a "*Sublease*") and the City may enter into a contract for operation and/or management of the Communications Property (a "*Management Contract*") with the consent of the Corporation, the Board and the Trustee, subject, however, to the prior written consent of the Credit Facility Provider. In addition to the receipt of the above consents, each such assignment (the "*Assignment*"), Sublease and Management Contract must meet the conditions provided in the Lease Purchase Agreement including the requirement that the Lease Purchase Agreement and the Deed of Trust and the obligation of the City to pay Rentals and Additional Rentals under the Lease Purchase Agreement and to perform all of the terms, covenants and conditions of the Lease Purchase Agreement and of any other security document to which it shall be a party shall remain obligations of the City and any assignee or transferee or sublessee of the City shall have assumed in writing and have agreed to keep and perform all of the terms of the Lease Purchase Agreement on the part of the City to be kept and performed.

The Facilities may not be further transferred, disposed of or subleased by the City or transferred, disposed of or subleased by the Board, except for a short term lease or other agreement for short term use of the Board's interests in the Facilities in the normal course of business, with Credit Facility Provider consent.

#### **Purchase or Sale of Certain Portions of the Project.**

So long as the City is not in Default under the Lease Agreement and upon the prior written consent of the Credit Facility Provider and written notice to the Board, the City reserves the right at any time to either (i) purchase from the Corporation title to any portion of the Communications Property or (ii) surrender possession of any portion of the Communications Property and direct the Corporation to sell or dispose of any portion of the Communications Property, either by negotiated sale or by public sale, as the City shall direct. The proceeds of sale shall be deposited by the Corporation with the Trustee at the option of the City for credit to the Series 2007 Bond Fund and used to redeem such Series 2007 Bonds at the earliest opportunity pursuant to the Indenture.

If the City elects to purchase or dispose of any portion of the Communications Property upon the conditions set forth in the preceding paragraph, following procedures shall be followed:

1. The Board of Aldermen of the City shall adopt a resolution or ordinance which shall contain provisions identified in the Lease Purchase Agreement:
2. The Board of Directors of the Corporation shall take action in accordance with the direction of the City to sell said portion of the Communications Property and shall deposit the proceeds of such sale with the Trustee.

No sale or disposition of a portion of the Communications Property pursuant to this Section shall entitle the City to any reimbursement of any Rentals or Additional Rentals from the Corporation, the Board, the Trustee, the Bondholders, or the Credit Facility Provider, nor shall the City be entitled to any abatement or diminution in Rentals or Additional Rentals under the Lease Purchase Agreement, except such diminution as results from redemption of the Series 2007 Bonds, as the case may be, from the proceeds of such disposition pursuant to subsection 0 of this Section and the Indenture.

#### **Release of Certain Land from and Addition of Certain Land to the Lease Purchase Agreement.**

Notwithstanding any other provisions of the Lease Purchase Agreement, the City and the Board reserve the right at any time and from time to time upon mutual consent and upon the prior written consent of the Credit Facility Provider to amend the Lease Purchase Agreement and the Deed of Trust, without the consent of Bondholders, for the purpose of effecting the release of and removal from the Lease Purchase Agreement and the leasehold estate created by the Lease Purchase Agreement, and from the Deed of Trust, of any part or parts of the real estate which has not been improved pursuant to the provisions of the Lease Purchase Agreement or for the purpose of effecting the addition to the Lease Purchase Agreement and the leasehold estate created by the Lease Purchase Agreement, and the Deed of Trust, of any additional real estate; provided, that if at the time any such amendment is made any of the Series 2007 Bonds are outstanding and unpaid, there shall be deposited with the Trustee certain documents required by the Lease Purchase Agreement and in the case of the release of real estate, an amount equal to the portion of the cost of such real estate financed with Series 2007 Bond proceeds shall be deposited by the Corporation with the Trustee at the option of the City and the Board for credit to the Series 2007 Bond Fund and used to redeem Series 2007 Bonds, at the earliest opportunity pursuant to the Indenture.

If all of the conditions of this Section are met, the Trustee shall be authorized to release any such property from or add any such property to the lien of the Indenture, as the case may be. No release or addition effected under the provisions of this Section shall entitle the City to any abatement or diminution of the Rentals or the Additional Rentals payable under the Lease Purchase Agreement, nor shall any such release in any other way whatsoever affect the Lease Purchase Agreement or the Indenture with respect to the remaining parts of the Property, and all the terms and provisions of the Lease Purchase Agreement, the Deed of Trust and the Indenture shall remain in full force and effect with respect to the remaining part of the Project as though no such release had been effected.

### **Removal of Project Equipment.**

The City shall have the right, provided the City is not in Default in making Rentals or Additional Rentals hereunder, to remove from the Project and (on behalf of the Corporation) sell, exchange or otherwise dispose of, without responsibility or accountability to the Corporation or the Trustee with respect thereto, any items of machinery and equipment which constitute a part of the Project Equipment and which have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary or which, in the sound discretion of the City, are otherwise no longer useful to the City in its operations conducted on or in the Project, provided that, if the original cost of any single item of Project Equipment to be sold, exchanged or disposed of exceeds \$25,000 or if the aggregate original cost of such Project Equipment to be sold, exchanged, or disposed of in any Fiscal Year exceeds \$200,000, then with respect to the proposed removal of such items of Project Equipment the City shall obtain the prior written consent of the Credit Facility Provider and the Board and either:

- (a) Prior to any such removal, deliver to the Trustee a certificate signed by the City Representative (i) containing a complete description, including the make, model and serial numbers, if any, of any machinery or equipment constituting a part of the Project Equipment which the City proposes to remove from the Project, (ii) stating the reason for such removal, (iii) stating what disposition of the machinery or equipment is to be made by the City after such removal and the names of the party or parties to whom such disposition is to be made and the consideration, if any, to be received by the City therefor, and (iv) setting forth the proposed sale price (or trade-in credit to be received) and the fair market value (original cost of such machinery or equipment less depreciation at rates calculated in accordance with generally accepted accounting principles) of such machinery or equipment; and pay to the Trustee for deposit in the Series 2007 Bond Fund, the greater of (i) the proceeds from the sale of such machinery or equipment (or trade-in credit received therefor) or (ii) the fair market value of such machinery or equipment as set forth in said certificate; or
- (b) Promptly replace any such Project Equipment so removed with machinery and equipment of the same or a different kind but with a value equal to or greater than the fair market value of the Project Equipment so removed, and such machinery and equipment shall be deemed a part of the Project Equipment; within 30 days after any such replacement, deliver to the Trustee a certificate signed by the City Representative (i) setting forth a complete description, including make, model and serial numbers, if any, of the machinery and equipment which the City has acquired to replace the Project Equipment so removed by the City, (ii) stating the cost thereof, and (iii) stating that the machinery and equipment described in said certificate are fully paid for and have been installed on the Project.

Upon receipt of such certificate, the Trustee shall cause to be filed financing statements properly reflecting such certificates. All machinery and equipment which shall replace Project Equipment removed from the Property by the City shall become and be deemed a part of the Property.

In all cases, the City shall pay all of the costs and expenses of any such removal and shall immediately repair at its expense all damage to the Project caused thereby. The City's rights to remove from the Project machinery and equipment constituting a part of the Project Equipment is intended only to permit the City to maintain an efficient operation by the removal of machinery and equipment which is no longer suitable to the City's use of the Project for any of the reasons set forth in this Section, and such right is not to be construed to permit a removal under any other circumstances and specifically is not to be construed to permit the City to make a wholesale removal of the Project Equipment.

### **Maintenance, Repairs and Modifications.**

The City with respect to the Communications Property and the Board with respect to the Facilities shall, at their respective expense, maintain, preserve and keep the respective components of the Property in good repair and condition. The City with respect to the Communications Property and the Board with respect to the Facilities shall from time to time make all repairs, replacements and improvements necessary to keep the respective components of the Property in such condition. The Corporation shall not have any responsibility for any of these repairs, replacements or improvements. In addition, the City and the Board shall, at their respective expense, have the right, with the prior written consent of the Credit Facility Provider, to make additions, modifications and improvements to the Communications Property and the Facilities, respectively, or any part thereof as the City or the Board from time to time may deem necessary or desirable for its municipal purposes; provided, however, the City and the Board shall not make any additions, modifications or improvements which will adversely affect the operation of the Communications Property and the Facilities, respectively. Such additions, modifications and improvements shall not in any way damage the Communications Property and the Facilities, respectively, nor cause them to be used for purposes other than those authorized under the provisions of municipal, state and federal law; and the Project upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. All additions, modifications and improvements made by the City or the Board shall (a) be made in a workmanlike manner and in strict compliance with the laws and ordinances applicable thereof, (b) when commenced, be prosecuted to completion with due diligence, and (c) when completed, be deemed a part of the Property; provided, however, that additions of machinery and equipment installed in the Property by the City or the Board and not purchased or acquired from funds deposited with the Trustee under the Lease Purchase Agreement and not constituting repairs, renewals or replacements of Project Equipment under the Lease Purchase Agreement shall remain the property of the City with respect to the Communications Property (or the Board with respect to the Facilities) and may be removed by the City (or the Board with respect to the Facilities) at any time. Any property for which a substitution or replacement is made pursuant to the Lease Purchase Agreement may be disposed of by the City or the Board in such manner and on such terms as are determined by the City or the Board.

Neither the City nor the Board will permit any mechanic's or other lien to be established or remain against any part of the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City or the Board pursuant to the Lease Purchase Agreement; provided that if any such lien is established and the City or the Board shall first notify the Corporation, the Trustee, the Board or the City, as the case may be, and the Credit Facility Provider of the City's or the Board's intention to do so, then the City or the Board may in good faith contest any lien filed or established against the Communication Property or the Facilities and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless either the Corporation, the Trustee, the

Board, the City, or the Credit Facility Provider shall notify the City or the Board that, in the opinion of counsel experienced in the area of local real estate acceptable to the party sending the notice, by nonpayment of any such item the interest of the Corporation, the Trustee, the Board, the City, and the Credit Facility Provider in the Property will be materially endangered or the Property will be subject to loss or forfeiture, in which event the City or the Board, as applicable, shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide the Corporation, the Trustee, the Board or the City, as the case may be, and the Credit Facility Provider with full security against any such loss or forfeiture, in a form satisfactory to the Corporation, the Trustee, the Board, the City and the Credit Facility Provider. The Corporation, the Trustee, the Board or the City, as the case may be, and the Credit Facility Provider will cooperate fully with the City or the Board in any such contest, upon the request and at the expense of the City or the Board.

No addition, modification or improvement to the Property made pursuant to this Section shall entitle the City to any reimbursement of any Rentals or Additional Rentals or the Board to reimbursement of Board Rentals from the Corporation, the Trustee or the Bondholders, nor shall the City be entitled to any abatement or diminution in Rentals or Additional Rentals or the Board to diminution of Board Rentals under the Lease Purchase Agreement, except such diminution as results from redemption of Bonds pursuant to the Indenture.

#### **Liens.**

Except as permitted in the Lease Purchase Agreement, neither the City with respect to the Communications Property nor the Board with respect to the Facilities shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the respective components of the Property (except for Permitted Encumbrances), other than the respective rights of the Corporation, the Board, and the City as provided in the Lease Purchase Agreement and in the Premises Base Lease and the Communications Property Base Lease; provided if any such lien is established, the City or the Board, as applicable, shall notify the Corporation, the Trustee, the Board, the City and the Credit Facility Provider of its intention to do so and the City or the Board, as applicable, shall follow the requirements as specified in the Lease Purchase Agreement. Except as expressly provided the Lease Purchase Agreement, the City with respect to the Communications Property and the Board with respect to the Facilities shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The City or the Board, as applicable shall reimburse the City, Corporation, the Board, or the Credit Facility Provider for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

#### **Permits and Authorizations.**

The City and the Board agree that they shall not do or permit others under their respective control to do any work on the Project related to any repair, rebuilding, restoration, replacement, modification, improvement or addition to the Project, or any part thereof, unless all requisite municipal and other governmental permits and authorizations shall have been first procured and payment therefor made. All such work shall be subject to approvals by the Corporation and shall be done in a good and workmanlike manner and in compliance with all applicable building, zoning and other laws, ordinances, governmental regulations and requirements and in accordance with the requirements, rules and regulations of all insurers under the policies required to be carried under the provisions of the Lease Purchase Agreement.



**Environmental Matters.**

The City with respect to the Communications Property and the Board with respect to the Facilities, shall not cause or permit the respective components of the Property or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce, or process Hazardous Materials, except in the ordinary course of the operation of business and in compliance with all Environmental Laws, nor shall the City with respect to Communications Property and the Board with respect to the Facilities cause or permit, as a result of any intentional or unintentional act or omission on the part of the City or the Board, as applicable, or any tenant or subtenant, a release of Hazardous Materials onto the Property. The City with respect to the Communications Property and the Board with respect to the Facilities shall comply with and ensure compliance by all tenants and subtenants with all Environmental Laws, and shall obtain and comply with, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations, or permits required thereunder. The City with respect to the Communications Property and the Board with respect to the Facilities shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the respective components of the Property that are above acceptable levels set by the governmental agency having jurisdiction (A) in accordance with all Environmental Laws, (B) to the reasonable satisfaction of the Trustee, and (C) in accordance with the orders and directives of all federal, State, and local governmental authorities having jurisdiction. In the event that the Trustee elects to control, operate, sell, or otherwise claim property rights in the Property, the City and the Board shall deliver respective components of the Property free of any and all Hazardous Materials above acceptable levels set by the governmental agency having jurisdiction, so that the conditions of the Property shall conform with all Environmental Laws. Prior to any such delivery of the Property, the City shall pay the Trustee, subject to annual appropriation, from its own funds, any amounts then required to be paid under the Lease Purchase Agreement. This covenant shall survive any termination of the Lease Purchase Agreement.

As used in this section, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Environmental Laws.

As used in this section, "Environmental Laws" means Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et. seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C Sections 1801 st. seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 9601, et. seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule, or regulation.

**City's Option to Purchase Corporation's Interest.**

The City shall have the option to purchase the Corporation's leasehold interest in the Property and to demand that the Corporation convey to the City title to all of its interest in the Property, subject to Permitted Encumbrances and to terminate the Lease Purchase Agreement at any time during the Lease Term upon payment of the purchase price pursuant to the Lease Purchase Agreement.

If the City receives notice of an Event of Default which is a payment default of the Indenture or if an Event of Nonappropriation under the Lease Purchase Agreement has occurred, the City shall also have the option to purchase the Corporation's interest in the Property and to terminate the Lease Purchase Agreement upon payment of the purchase price pursuant to the Lease Purchase Agreement. The City shall give notice of its intent to exercise the option by giving notice thereof to the Corporation, the Board, the Credit Facility Provider and the Trustee not later than 90 days after receipt of notice of any such Event

of Default or Event of Nonappropriation. The City shall make the payment not later than 90 days after it has given notice of its intent to exercise this option to the Corporation, the Board, the Credit Facility Provider and the Trustee.

**Purchase Price.**

The purchase price payable by the City in the event of its exercise of either of the options granted in the Lease Purchase Agreement shall be the sum of the following:

- (a) an amount of money which, when added to the amounts on deposit in the Bond Fund and the Debt Service Reserve Fund will be sufficient to pay in full the Bonds then Outstanding or provide for their payment as provided in the Indenture; plus
- (b) an amount of money equal to the Trustee's and Paying Agents' fees and expenses under the Indenture, if any, accrued and to accrue until such redemption of the Bonds; plus
- (c) amounts due and owing to the Credit Facility Provider; plus
- (d) an amount equal to all of the obligations of the City and the Corporation under the Tax Compliance Agreement; plus
- (e) reasonable costs incident to the redemption of the Series 2007 Bonds; plus
- (f) the sum of \$10.00.

It is agreed that the purchase option is granted to the City in consideration of the conveyance of the Property to the Corporation pursuant to the Communications Property Base Lease and the Premises Base Lease and that the purchase price of the Property includes the Rentals and Additional Rentals during the Lease Term pursuant the Lease Purchase Agreement, in addition to the foregoing amounts, which purchase price constitutes the fair value of the Property in the judgment of the Corporation after giving consideration to all relevant factors.

**Conveyance of the Property to the City.**

The Corporation shall transfer and convey to the City its interest in the Property, in the manner provided for in the Lease Purchase Agreement; provided, however, that prior to such transfer and conveyance the City shall have paid in full the purchase price as provided for in the Lease Purchase Agreement.

**Manner of Conveyance.**

At the closing of the purchase or any other conveyance of the Property pursuant to the Lease Purchase Agreement, the Corporation will, upon receipt of the purchase price, if any, deliver to the City a release of the Property from the Trustee and the Indenture; and documents conveying to the City legal title to Corporation's interest in the Property, as it then exists, subject only to encumbrances permitted by the Lease Purchase Agreement .

**Relative Position of Option and Indenture.**

The option granted to the City in the Lease Purchase Agreement shall remain prior and superior to the Indenture and may be exercised whether or not the City is in Default under the Lease Purchase Agreement, provided that such Default will not result in non-fulfillment of any condition to the exercise of any such option and further provided that all options in the Lease Purchase Agreement granted shall terminate 90 days following the termination of the Lease Purchase Agreement.

**No Obligation to Purchase the Property.**

The City shall be under no obligation whatsoever to exercise its option to purchase the Property.

**Damage, Destruction and Condemnation.**

As long as the Lease Purchase Agreement shall remain in effect, if (i) all the Communications Property or the Facilities are destroyed or damaged by fire or other casualty or (ii) title to or the temporary use of the Communications Property or the Facilities or the interest of the City or the Corporation with respect to the Communications Property or the interest of the Board, the City or the Corporation, with respect to the Facilities, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the City and the Board, as applicable, shall, subject to the provisions of the following paragraph and with the consent of the Credit Facility Provider, cause the net proceeds of any insurance or condemnation award to be deposited into the Communications Property Account of the Project Fund or the Facilities Account of the Project Fund, as applicable, to be applied to the prompt repair, restoration, modification or improvement of the Communications Property or the Facilities by the City or the Board, as applicable, free of liens other than Permitted Encumbrances. Any balance of the net proceeds remaining after such work has been completed for the Communications Property or the Facilities shall be transferred to the Bond Fund and used in accordance with the Indenture.

If the City determines, with the consent of the Credit Facility Provider and the Board, that the repair, restoration, modification or improvement of the Communications Property is not economically feasible or in the best interest of the City, or if the Board determines with the consent of the Credit Facility Provider and the City, that the repair, restoration, modification or improvement of the Facilities is not economically feasible or in the best interest of the Board, then, in lieu of making such repair, restoration, modification or improvement, the City shall make provision for the redemption of Outstanding Bonds in an amount equal to the net proceeds of any such insurance or condemnation award rounded to the nearest Authorized Denomination, and such net proceeds (i) shall be deposited into the Bond Fund to be applied to the payment of the Outstanding Bonds called for redemption; (ii) shall be used to pay the fees and expenses of the Corporation and the Trustee, together with all other amounts due under the Indenture and under the Lease Purchase Agreement as provided in the Lease Purchase Agreement, and (iii) shall be used to pay all amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Compliance Agreement.

**Insufficiency of Net Proceeds.**

If the net proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement of the Project in accordance with the Lease Purchase Agreement, subject to appropriation of sufficient funds by the City, the City with respect to the Communications Property and the Board with respect to the Facilities shall complete the work and pay any cost in excess of the amount of the net proceeds, and the City and the Board agree that if by reason of any such insufficiency of the net proceeds,

the City or the Board, as applicable, shall make any payments pursuant to the provisions in the Lease Purchase Agreement, the City and the Board, as applicable, shall not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable hereunder.

#### **Cooperation of the Corporation.**

The Corporation shall cooperate fully with the City at the expense of the City in filing any proof of loss with respect to any insurance policy covering the events described in the Lease Purchase Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit the City to litigate in any proceeding resulting therefrom in the name of and on behalf of the Corporation. In no event will the Corporation voluntarily settle, or consent to the settlement of, any proceedings arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Property or any part thereof without the written consent of the City and the Board.

#### **Event of Nonappropriation.**

In the event that the Board of Aldermen does not budget and appropriate, specifically with respect to the Lease Purchase Agreement, on or before June 30 (or any other date later adopted by the City as the end of its Fiscal Year) of each year, moneys sufficient to pay all Rentals and the reasonably estimated Additional Rentals coming due for the next succeeding Fiscal Year, an Event of Nonappropriation shall be deemed to have occurred. No Event of Nonappropriation shall be deemed to have occurred in the Fiscal Year comprising the initial Lease Term provided that on or before December 31, 2007 the Board of Aldermen shall budget and appropriate, specifically with respect to the Lease Purchase Agreement moneys sufficient to pay all Rentals and Additional Rentals (or reasonable estimates thereof as to those Additional Rentals which have not been paid) coming due for such Fiscal Year.

If an Event of Nonappropriation shall occur and be continuing, upon receipt of a certificate from a City Representative which states that the City has not appropriated the funds required to be appropriated by the City, or upon receipt of other notice of the occurrence of any Event of Nonappropriation with respect to the City, the Trustee shall immediately notify the Corporation and the Board of such occurrence.

If an Event of Nonappropriation shall occur, the City shall not be obligated to make payment of the Rentals or Additional Rentals or any other payment provided for in the Lease Purchase Agreement which accrue beyond the last day of the Fiscal Year for which Rentals or Additional Rentals were appropriated, except for the City's obligation to make payments which are payable prior to the termination of the Lease Purchase Agreement; provided, however, that the City shall continue to be liable for the amounts payable accrued during such time when the City continues to occupy the Project. The Trustee shall, upon the occurrence of an Event of Nonappropriation, have all rights and remedies granted to it under the Indenture and as a secured creditor under Missouri law, as Trustee for the benefit of Bondholders and the Credit Facility Provider, and shall be further entitled to all monies then on hand in all funds and accounts created under the Indenture. All property, funds and rights acquired by the Trustee upon the termination of the Lease Purchase Agreement as to the City's possessory interest hereunder by reason of an Event of Nonappropriation as provided in the Lease Purchase Agreement shall be held by the Trustee under the Indenture for the benefit of the Bondholders and the Credit Facility Provider as set forth in the Indenture until the Series 2007 Bonds and the Credit Facility Provider are paid in full.

Upon the occurrence and continuance of any Event of Nonappropriation, the Trustee may, subject to the prior written consent of the Credit Facility Provider, or shall, at the prior written direction of the Credit Facility Provider, give notice to the City to vacate the Property immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the City has paid or appropriated monies

sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and shall, without any further demand or notice, (i) terminate the Lease Purchase Agreement, re-enter the Property and eject all parties in possession thereof therefrom, and sublease the Property or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Property.

Notwithstanding any provision to the contrary in the Lease Purchase Agreement or the Indenture contained, the definition of the Event of Nonappropriation described in the Lease Purchase Agreement shall be final and controlling in the event of any other contrary provision in this or such other documents.

The Credit Facility Provider shall have the right to control all remedies for an Event of Default and an Event of Nonappropriation.

### **Remedies Regarding City Defaults.**

Notwithstanding anything in the Lease Purchase Agreement to the contrary, with the consent of the Credit Facility Provider the Trustee shall be entitled to sublease the Corporation's interest in the Property to any entity, public or private, for such period as is necessary for the Trustee to obtain sufficient monies to pay in full the principal of, redemption premium if any, and interest on the Series 2007 Bonds, and the obligations of the Trustee with respect to the Bondholders and the receipt and disbursement of funds shall be continuing until the lien of the Indenture is discharged as provided in the Indenture.

### **Events of Default Defined.**

The following shall be "Events of Default" under the Lease Purchase Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease Purchase Agreement, any one or more of the following events:

- (a) Failure by the City to pay any Rentals or Additional Rentals in the amounts and at the times specified in the Lease Purchase Agreement.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City and the Board by the Corporation or the Trustee, unless the Trustee, subject to the prior written consent of the Credit Facility Provider, shall agree in writing to an extension of such time prior to its expiration.
- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of the City to carry on its operation, or adjudication of the City as bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the federal bankruptcy laws, as amended, or under any similar acts which may hereafter be enacted.
- (d) The City shall vacate or abandon the Property, and the same shall remain uncared for and unoccupied for a period of sixty (60) consecutive days.

- (e) The Trustee shall receive written notice from the Credit Facility Provider stating that an “Event of Default” has occurred under the Credit Facility, provided that the Credit Facility Provider has not failed, has not ceased or is not otherwise unable to act under, or has not wrongfully dishonored a claim against or failed to make a payment under the applicable Credit Facility.

#### **Remedies on Default.**

Whenever any Event of Default referred to in the Lease Purchase Agreement shall have happened and be continuing, the Corporation or the Trustee shall have the right, at its option and subject to prior written consent of the Credit Facility Provider, and without any further demand or notice, to take and shall take upon the prior written direction of the Credit Facility Provider, any one or more of the following remedial steps:

- (a) By written notice to the City declare all Rentals and Additional Rentals for the Fiscal Year in which the Event of Default occurred to be immediately due and payable and such Rentals and Additional Rentals shall thereupon become immediately due and payable; or
- (b) Give the City written notice of intention to terminate the Lease Purchase Agreement on a date specified in such notice, which date shall not be earlier than sixty (60) days after such notice is given, and foreclose on the Deed of Trust, and if all Defaults have not then been cured, on the date so specified, the City’s rights to possession of the Property shall cease and the Lease Purchase Agreement shall thereupon be terminated, and the Corporation may reenter and take possession of the Property; or
- (c) Without terminating the Lease Purchase Agreement or foreclosing on the Deed of Trust, reenter the Property or take possession thereof pursuant to legal proceedings or pursuant to any notice provided for by law, and having elected to reenter or take possession of the Property without terminating the Lease Purchase Agreement or foreclosing on the Deed of Trust, the Corporation shall use reasonable diligence to relet the Property, or parts thereof, for such term or terms and at such rental and upon such other provisions and conditions as the Corporation may deem advisable, with the right to make alterations and repairs to the Property, and no such reentry or taking of possession of the Property by the Corporation shall be construed as an election on the Corporation’s part to terminate the Lease Purchase Agreement, and no such reentry or taking of possession by the Corporation shall relieve the City of its obligation to pay Rentals or Additional Rentals (at the time or times provided in the Lease Purchase Agreement), or of any of its other obligations under the Lease Purchase Agreement, all of which shall survive such reentry or taking of possession, and the City shall continue to pay the Rentals and Additional Rentals specified in the Lease Purchase Agreement until the end of the Lease Term, whether or not the Property shall have been relet, less the net proceeds, if any, of any reletting of the Property after deducting all of the Corporation’s reasonable expenses in or in connection with such reletting, including without limitation all repossession costs, brokerage commissions, legal expenses, expenses of employees, alteration

costs and expense of preparation for reletting. Said net proceeds of any reletting shall be deposited in the Bond Fund and shall be applied as provided in the Indenture.

Having elected to reenter or take possession of the Property without terminating the Lease Purchase Agreement or foreclosing on the Deed of Trust, the Corporation may, with the prior written consent of the Credit Facility Provider (subject, however, to any restrictions in the Indenture against termination of the Lease Purchase Agreement), and shall at the written direction of the Credit Facility Provider, by notice to the City given at any time thereafter while the City is in Default in the payment of Rentals or Additional Rentals or in the performance of any other obligation under the Lease Purchase Agreement, elect to terminate the Lease Purchase Agreement on a date to be specified in such notice, which date shall be not earlier than 30 days after reentry under subparagraph (c) above, and if all Defaults shall not have been cured, on the date so specified the Lease Purchase Agreement shall thereupon be terminated. If in accordance with any of the foregoing provisions of the Lease Purchase Agreement the Corporation shall have the right to elect to reenter and take possession of the Property the Corporation may, with the prior written consent of the Credit Facility Provider, and shall at the written direction of the Credit Facility Provider, enter and expel the City and those claiming through or under the City and remove the property and effects of both or either without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or for preceding breach of covenant.

The Corporation may take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City under the Lease Purchase Agreement and the Deed of Trust, or any right of the Corporation pursuant to this subsection.

Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Corporation may, at its option and with the prior written consent of the Credit Facility Provider, and shall at the written direction of the Credit Facility Provider, by notice in writing to the City and the Credit Facility Provider, terminate the City's right of possession hereunder as to any one or more items of the Project Equipment, whereupon all right and interest of the City to or in the use of such items shall terminate, and the Corporation may, with the prior written consent of the Credit Facility Provider, and shall at the written direction of the Credit Facility Provider, cause the City, upon the written demand of the Corporation, at the City's expense, to promptly return any and all such items of the Project Equipment to the Corporation at a site designated by the Corporation and in good condition, and whether or not the Lease Purchase Agreement has been terminated, the Corporation may, at its option and with the prior written consent of the Credit Facility Provider, and shall at the written direction of the Credit Facility Provider, enter upon the premises where any such items of Project Equipment are located and take immediate possession and remove such items of the Project Equipment by summary proceedings or otherwise, or may with the prior written consent of the Credit Facility Provider, and shall at the prior written direction of the Credit Facility Provider, cause the City, at the City's expense, to store, maintain, surrender and deliver possession of such items of the Project Equipment to the Corporation at the site specified by the Credit Facility Provider, all without liability to the City for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise.

Take whatever action at law or in equity that may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due during the Term of the Lease Purchase Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Lease Purchase Agreement.

### **Indemnification of Corporation Officers.**

To the fullest extent permitted by law, the City by the Lease Purchase Agreement agrees to indemnify and hold harmless the officers, directors, employees, and agents of the Corporation with respect to all claims, liabilities, losses, costs and expenses arising from or relating to (i) the Lease Purchase Agreement, the Deed of Trust, the Indenture, and any documents or instruments relating thereto, (ii) the ownership by the Corporation of its interest in the Communications Property, or (iii) any transactions contemplated by the Communications Property Base Lease or the Lease Purchase Agreement. The agreement of the City in the Lease Purchase Agreement shall be an independent covenant of the City, shall not be deemed to be Additional Rentals or otherwise subject to the Lease Purchase Agreement, and shall survive the termination of the Lease Purchase Agreement for any reason.

To the fullest extent permitted by law, the Board agrees to indemnify and hold harmless the officers, directors, employees and agents of the Corporation with respect to all claims, losses, costs and expenses arising from or relating to (i) the ownership by the Corporation of its interest in the Facilities, or (ii) any transactions contemplated by the Premises Base Lease, the Deed of Trust or the Lease Purchase Agreement. The agreement of the Board in the Lease Purchase Agreement shall be an independent covenant of the Board, and shall not be deemed to be computed as Board Rentals and shall survive termination of the Lease Purchase Agreement for any reason.

### **Survival of Obligations.**

Other than termination for Nonappropriation and subject to the provisions of the Lease Purchase Agreement, the City covenants and agrees with the Corporation, the Credit Facility Provider and the Bondholders that the City's obligations under the Lease Purchase Agreement shall survive the cancellation and termination of the Lease Purchase Agreement, for any cause, and that the City shall continue to pay the Rentals and Additional Rentals and perform all other obligations specified in the Lease Purchase Agreement, all at the time or times provided in the Lease Purchase Agreement; provided, however, that upon the payment of the Rentals and Additional Rentals as required under the Lease Purchase Agreement, and upon the satisfaction and discharge of the Indenture, the City's obligations under the Lease Purchase Agreement shall thereupon cease and terminate in full except for its obligations under the Tax Compliance Agreement.

### **Limitations on Remedies.**

Notwithstanding any provision of the Lease Purchase Agreement to the contrary, a judgment requiring a payment of money may be entered against the City by reason of an Event of Default hereunder only as to the following liabilities:

- (i) the portion of Rentals and Additional Rentals which would otherwise have been payable hereunder, allocable to any period in which the City continues to occupy the Property; and
- (ii) Rentals, Additional Rentals or other obligations hereunder which would otherwise have been payable by the City hereunder subsequent to termination of the Lease Purchase Agreement.

A judgment requiring a payment of money may be entered against the City by reason of an Event of Nonappropriation only to the extent that the City fails to vacate the Property as required by the Lease Purchase Agreement and only as to the liabilities described in this Section of the Lease Purchase Agreement.



**Performance of the City's Obligations.**

If the City shall fail to make any payment or to keep or perform any of its obligations as provided in the Lease Purchase Agreement, then the Corporation, the Credit Facility Provider in the Corporation's name, the Board, or the Trustee, may (but shall not be obligated so to do) upon the continuance of such failure on the City's part for 60 days after notice of such failure is given the City by the Corporation, the Credit Facility Provider, the Board, or the Trustee, and without waiving or releasing the City from any obligation hereunder, as an additional but not exclusive remedy, make any such payment or perform any such obligation, and all sums so paid by the Corporation, the Credit Facility Provider, the Board or the Trustee, and all necessary incidental costs and expenses incurred by the Corporation, the Board, the Credit Facility Provider or the Trustee in performing such obligations shall be deemed Additional Rentals and shall be paid by the City to the Corporation, the Credit Facility Provider, the Board, or the Trustee, as applicable, on demand, and if not so paid by the City, the Corporation or the Trustee shall have the same rights and remedies provided for in the Lease Purchase Agreement in the case of Default by the City in the payment of Rentals.

**Rights and Remedies Cumulative.**

The rights and remedies reserved by the Corporation, the Board and the City hereunder and those provided by law shall be construed as cumulative and continuing rights. No one of them shall be exhausted by the exercise thereof on one or more occasions. The Corporation, the Board, the City and the Credit Facility Provider shall each be entitled to specific performance and injunctive or other equitable relief for any breach or threatened breach of any of the provisions of the Lease Purchase Agreement, notwithstanding availability of an adequate remedy at law, and each party by the Lease Purchase Agreement waives the right to raise such defense in any proceeding in equity.

**No Remedy Exclusive.**

No remedy in the Lease Purchase Agreement conferred upon or reserved to the Corporation, the Board or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Purchase Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation, the Board, the Trustee or the Credit Facility Provider to exercise any remedy reserved to it in the Lease Purchase Agreement it shall not be necessary to give any notice, other than such notice as may be required in the Lease Purchase Agreement or by law.

**No Additional Waiver Implied by One Waiver.**

In the event any agreement contained in the Lease Purchase Agreement shall be breached by any party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

**Notices.**

All notices required or desired to be given hereunder shall be in writing, and all such notices and other written documents required or desired to be given hereunder shall be deemed duly served and delivered for all purposes upon the Corporation, the Board, the City, the Credit Facility Provider and the Trustee if given in the manner and to the addresses specified in the Indenture.

### **The Corporation and the Board Shall Not Unreasonably Withhold Consents and Approvals.**

Wherever in the Lease Purchase Agreement it is provided that the Corporation, the City or the Board shall, may or must give its approval or consent, or execute supplemental agreements or schedules, the Corporation, the City and the Board shall not unreasonably, arbitrarily or unnecessarily withhold or refuse to give such approvals or consents or refuse to execute such supplemental agreements or schedule.

### **Amendments.**

Except as otherwise provided in the Lease Purchase Agreement or the Indenture, subsequent to the issuance of Bonds and prior to all of the Bonds being paid in accordance with the Indenture and provision being made for the payment of all sums payable under the Indenture, the Lease Purchase Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee, the Corporation, the Board, and the Credit Facility Provider, given in accordance with the provisions of the Indenture except as provided in the Indenture. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption. The Credit Facility Provider shall be provided with a full transcript of all proceedings relating to the execution of any supplement or amendment.

### **Net Lease.**

The parties hereto agree (a) that the Lease Purchase Agreement is intended to be a net lease, (b) that the payments of Rentals and Additional Rentals are designed to provide the Corporation and the Trustee funds adequate in amount to pay all principal of and interest and any redemption premiums accruing on the Series 2007 Bonds as the same become due and payable, (c) that to the extent that the payments of Rentals and Additional Rentals are not sufficient to provide the Corporation and the Trustee with funds sufficient for the purposes aforesaid, the City, subject to the provisions of the Lease Purchase Agreement, shall be obligated to pay, and it does by the Lease Purchase Agreement covenant and agree to pay, upon demand therefor, as Additional Rentals, such further sums of money, in cash, as may from time to time be required for such purposes, and (d) that if, after all of the Series 2007 Bonds are deemed to be paid in accordance with the Indenture and provision has been made for payment of all other sums payable under the Indenture, the Trustee or the Corporation holds unexpended funds received in accordance with the terms hereof, such unexpended funds shall, after payment therefrom of all sums then due and owing by the City under the terms of the Lease Purchase Agreement, and except as otherwise provided in the Lease Purchase Agreement and the Indenture, become the absolute property of and be paid over forthwith to the City to be used for the lawful purposes for which such moneys may be used.

### **No General Liability.**

No provision, covenant or agreement contained in the Lease Purchase Agreement or in the Indenture, the Series 2007 Bonds, or any obligation in the Lease Purchase Agreement or therein imposed upon the Corporation, the Board or the City, or the breach thereof, shall constitute or give rise to or impose upon the Corporation, the Board or the City a general liability or a charge upon the general credit or taxing powers of the City.

### **Merger, Consolidation, Transfer of Assets, etc.**

As long as any of the Bonds remain Outstanding and unpaid, or until provision for the payment thereof has been made as provided in the Indenture, the Corporation will maintain its corporate existences and will not dissolve or otherwise dispose of all or a major portion of its assets without the approval of the City, the Credit Facility Provider, the Board and the Trustee. The Corporation will not consolidate with or merge into any another corporation or permit one or more other corporations to consolidate with or merge into it except that the Corporation may with the prior written consent of the Credit Facility

Provider, without violating the foregoing, consolidate with or merge into another nonprofit corporation organized under the laws of the State or permit one or more other such corporations to consolidate with or merge into it, if the following requirements are complied with and there has been delivered to the City, the Board and to the Trustee sufficient evidence showing that there has been such compliance:

- (a) The surviving or resulting corporation, as the case may be, has expressly assumed in writing all of the obligations, covenants and agreements of the Corporation contained in the Bonds, the Communications Property Base Lease, the Premises Base Lease, the Lease Purchase Agreement, the Indenture, and any other instruments of security given by the Corporation to secure any of its obligations;
- (b) The lien created by the Indenture will not be adversely affected thereby;
- (c) The Corporation has obtained an opinion of Bond Counsel that the corporate action referred to does not cause the interest on the Series 2007 Bonds then Outstanding to become includable in gross income for purposes of federal or Missouri income tax purposes; and
- (d) As a result of the transaction, the surviving or resulting corporation is not in Default under the Lease Purchase Agreement, the Communications Property Base Lease, the Premises Base Lease, the Indenture, the Bonds or any other instrument of security securing the obligations of the Corporation.

The Board agrees to provide written notice to the City upon any change in its present existence or legal status whether by statutory change or by contractual agreement.

#### **Maintenance of Tax Exemption.**

The City, the Corporation and the Board shall not take any action or fail to take any action which action or failure would cause the interest on the Series 2007 Bonds to be includable in gross income for federal or State income tax purposes. The Corporation further covenants that, so long as the Series 2007 Bonds remain Outstanding, it will, to the best of its ability, maintain its status as an organization exempt from taxation.

The City, the Corporation and the Board will comply with all applicable provisions of the Code, including Section 103 thereof and the regulations of the Treasury Department thereunder, from time to time proposed or in effect, in order to maintain the exclusion of interest on the Series 2007 Bonds from gross income for purposes of federal and Missouri income taxation. To this end the City covenants and agrees that throughout the Lease Term it will operate the Property solely for local governmental purposes and at no time shall the City allow in excess of five percent (5%) of the Project to be used in the trade or business of a non-governmental person within the meaning of the Code.

The City and the Corporation covenant and agree that they will use or cause to be used the proceeds of the Series 2007 Bonds as soon as practicable and with all reasonable dispatch for the purpose for which the Series 2007 Bonds are issued as in the Indenture set forth, and that no part of the proceeds of the Series 2007 Bonds shall be invested in any securities, obligations or other investments except for the temporary period pending such use nor used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of the Series 2007 Bonds, would have caused any of the Series 2007 Bonds to be or become “arbitrage bonds” within the meaning of Section 103(b)(2) or Section 148 of the Code and the regulations of the Treasury Department thereunder proposed or in effect at the time of such use and applicable to obligations issued on the date of issuance of the Series 2007 Bonds.

The representations, warranties, covenants and statements of expectation of the City, the Corporation and the Trustee as set forth in the Tax Compliance Agreement are by this reference incorporated in the Lease Purchase Agreement as though fully set forth in the Lease Purchase Agreement.

#### **Access to Premises.**

The City agrees that the Corporation and the Credit Facility Provider and any authorized representative thereof shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The City further agrees that the Corporation and the Credit Facility Provider and any authorized representative thereof shall have such rights to access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the City to perform its obligations hereunder. The City agrees that the Board and any authorized representative thereof shall have the right to use of the Facilities, pursuant to the Lease Purchase Agreement.

#### **Additional Covenants of the City.**

The Corporation also covenants and agrees that upon payment of all the Rentals and Additional Rentals and the exercise of the option to purchase granted by the Lease Purchase Agreement, the Corporation and its officers shall take all actions necessary to authorize, execute and deliver to the City and the Board any documents which may be necessary to vest in the City all of the Corporation's interest in and to the Property, including, if necessary, a release of any and all liens created under the provisions of the Lease Purchase Agreement or otherwise by the Corporation. The Corporation agrees to defend or eliminate any claims adverse to such interest arising out of an Event of Default occurring after receipt by the Corporation of its leasehold interest in the Property; provided that the Corporation's obligations under this provision shall not extend to claims arising out of actions by the City or persons asserting claims under it.

#### **Covenants of the City with Respect to Transfers.**

Except as provided in the Lease Purchase Agreement and for Permitted Encumbrances, as long as any of the Bonds remain Outstanding and unpaid or provision for the payment of the same has not been made in accordance with the provisions of the Indenture in both cases, the City will not convey or transfer any interest in the Property or any part thereof other than to the Corporation.

#### **Amounts Remaining in the Bond Fund or the Project Fund.**

It is agreed by the parties hereto that any amounts remaining in the Bond Fund or the Project Fund upon the expiration or sooner termination of the Lease Term, as provided in the Lease Purchase Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the reasonable fees, charges and expenses of Trustee and the Corporation in accordance with the Indenture, and all other amounts required to be paid under the Communications Property Base Lease, the Premises Base Lease, the Lease Purchase Agreement and the Indenture, shall belong to and shall be paid to the City by the Trustee as overpayment of Rentals and Additional Rentals, provided that the allocable portion thereof constituting payment of Board Rentals shall be deposited by the City in the Police Department Capital Improvement Account, with any balance retained by the City.

#### **Waiver of Sovereign Immunity.**

For purposes of the Indenture, to the extent permitted by law, the City by the Lease Purchase Agreement waives the right to sovereign immunity or any other similar defense with respect to the enforcement of remedies pursuant to the Lease Purchase Agreement.

**Assignment of Revenues.**

Pursuant to the Indenture, the Corporation shall assign and pledge any rents, revenues and receipts receivable by it under the Lease Purchase Agreement, to the Trustee as security for payment of the principal of, interest and premium, if any, on the Series 2007 Bonds and the City and the Board by the Lease Purchase Agreement consent to such pledge and assignment.

**Granting of Easements.**

If no Event of Default under the Lease Purchase Agreement shall have happened and be continuing, the City may (subject to the Lease Purchase Agreement), with the prior written consent of the Credit Facility Provider and the Board, at any time or times cause the Corporation to (a) grant or cause to be granted easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Property, or (b) release existing easements, licenses, rights-of-way and other rights or privileges, all with or without consideration and upon such terms and conditions as the City shall determine.

\* \* \* \* \*

## **SUMMARY OF THE DEED OF TRUST AND SECURITY AGREEMENT**

*The following is a summary of certain provisions of the Deed of Trust and Security Agreement (the “Deed of Trust”). The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Deed of Trust for a complete recital of the terms thereof.*

The Corporation, as Grantor will deliver the Deed of Trust with respect to real estate and property described in the Deed of Trust in which it now holds a leasehold interest leased pursuant to the Premises Base Lease and Communications Property Lease and all other right, title and interest of the Grantor and all future and additional titles, estates, rights and interests hereafter acquired by the Grantor in and to said real estate, TOGETHER with (1) all buildings, improvements and fixtures now or hereafter existing upon the above-described real estate, (2) all of the hereditaments, easements, licenses, appurtenances, water rights and permits, rents, issues and profits thereof (including without limitation all mineral and gas rights and leases or subleases and the revenue and proceeds therefrom), (3) all right, title and interest, including the right to receive same, in and to all proceeds of insurance paid or payable as a result of damage or destruction of the property described above (as provided in the Deed of Trust) and any awards or payments which may be made with respect to the property described above as a result of the exercise of the right to eminent domain and any other damage or injury to or decrease in the value of the property described above (as provided in the Deed of Trust), (4) all right, title, and interest of Grantor in and to every part and parcel thereof, (5) all leases or subleases of the Mortgaged Property (as in the Deed of Trust defined), or any part thereof, now or hereafter entered into by Grantor, (6) all rights, reversionary interests and benefits derived or to be derived by Grantor therefrom and (7) the machinery and equipment and all other personal property, fixtures, fittings, appliances, apparatus, furniture, furnishings and equipment as described in the Deed of Trust and made a part thereof by reference, and all additions thereto and substitutions therefor and proceeds thereof, including, without limitation, insurance proceeds (the “Chattel Property”) (hereinafter the Grantor’s leasehold interest in the real property described in the Deed of Trust and all of said items referred to in sections (1) through (7) above being collectively referred to as the “Mortgaged Property”), SUBJECT, however, to Permitted Encumbrances, as that term is defined in the Lease Purchase Agreement (“Permitted Encumbrances”).

### **Payment of Amounts Payable Under the Bonds and the Indenture.**

Grantor will duly and punctually pay or cause to be paid all amounts payable under the Bonds and the Indenture at the dates and the places and in the manner mentioned in the Bonds, the Indenture and in the Deed of Trust, according to the true intent and meaning thereof and hereof

### **Further Assurances: After-Acquired Property.**

Grantor will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all such further acts, deeds, conveyances, mortgages, assignments, transfers and assurances as the Beneficiary, the Credit Facility Provider or Trustee reasonably may require for the better assuring, conveying, mortgaging, assigning and confirming unto the Beneficiary all and singular the Mortgaged Property as now or hereafter constituted. All right, title and interest of Grantor in and to all improvements, betterments, renewals, substitutions and replacements of, the Mortgaged Property or any part thereof, hereafter constructed or acquired by Grantor, which shall become a part of the Leased Property as defined in the Indenture, immediately upon such construction or acquisition, and without any further mortgaging, conveyance or assignment, shall become and be part of the Mortgaged Property and shall be subject to the lien of the Deed of Trust with the same effect as though now owned by Grantor, but at any and all times Grantor will execute and deliver to the Beneficiary, the Credit Facility Provider and Trustee any and all such further assurances, mortgages, conveyances or assignments therefor and other instruments with

respect thereto as the Beneficiary, the Credit Facility Provider and Trustee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of the Deed of Trust.

#### **Taxes, Charges and Assessments.**

Grantor covenants and agrees, subject to the provisions of the Lease Purchase Agreement and hereof relating to permitted contests, to comply with the provisions of the Lease Purchase Agreement.

#### **Liens.**

Subject to the provisions of the Deed of Trust, Grantor will not create or permit to be created or remain and Grantor will, at its cost and expense, promptly discharge or cause to be discharged all liens, encumbrances and charges of which Grantor has notice on the Mortgaged Property or any part thereof other than Permitted Encumbrances.

#### **Compliance with Orders, Ordinances, Etc.**

Subject to the provisions of the Deed of Trust, Grantor will, at its sole cost and expense, comply or cause the City and the Board to comply with all present and future laws, ordinances, orders, decrees, rules, regulations and requirements of every duly constituted governmental authority, commission and court and the officers thereof of which it has notice, and the failure to comply with which would materially and adversely affect the Mortgaged Property or the use, occupancy or condition thereof Grantor will not use or permit to be used the Mortgaged Property or any part thereof in any manner inconsistent with the rights of Trustee or Beneficiary, or in violation of the provisions of the Indenture, the Base Lease, the Lease Purchase Agreement, any insurance policy or any rules or regulations of insurance underwriters.

#### **Permitted Contests.**

Grantor shall not be required to pay any tax, charge, assessment or imposition or encumbrance or other matter referred to in the Deed of Trust, nor to comply with any law, ordinance, rule, decree, order, regulation or requirement or other matter referred to in the Deed of Trust, so long as the same shall be contested in accordance with the provisions of the Lease Purchase Agreement.

#### **Repairs, Maintenance and Alterations.**

Grantor will comply or cause the City and the Board to comply with the provisions of the Lease Purchase Agreement.

#### **Insurance.**

The Grantor agrees to at all times comply or cause the City to comply with the provisions of the Lease Purchase Agreement relating to maintenance of insurance. In the event Grantor shall fail to maintain or cause to be maintained the full insurance coverage required by the Deed of Trust or shall fail to cause the Mortgaged Property to be kept in good repair and operating condition, Trustee or Beneficiary may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof and all amounts so advanced therefor shall become an additional obligation of Grantor, which amounts, together with interest thereon from the date of payment by such party at the rate of 2% per annum over

and above the interest rate announced from time to time by Bond Trustee as its “prime rate” on commercial loans (or such lower maximum amount permitted by law), Grantor agrees to pay on demand to the party advancing same.

### **Third Party’s Right to Perform Grantor’s Covenants; Advances.**

In the event Grantor shall fail to (i) perform or cause to be performed any covenant contained in the Deed of Trust, (ii) remove or cause to be removed any lien, encumbrance or charge pursuant to the Deed of Trust, (iii) maintain or cause to be maintained the Mortgaged Property in repair pursuant to the Deed of Trust, (iv) procure the insurance required by the Deed of Trust, or (v) fail to make or cause to be made any other payment or perform or cause to be performed any other act required to be performed hereunder, then and in each such case (unless the same is being contested or other appropriate action is being taken with respect thereto pursuant to the Deed of Trust) the Beneficiary, or the Trustee, upon not less than 15 days’ prior written notice to Grantor, may (but shall not be obligated to) remedy such default for the account of Grantor and make advances for that purpose. No such performance or advance shall operate to release Grantor from any such default and any sums so advanced by the Beneficiary or the Trustee shall be repayable by Grantor on demand and shall bear interest at the rate of 2% per annum over and above the interest rate announced from time to time by the Bond Trustee as its “prime rate” on commercial loans (or such lower maximum amount as may be required by law), from the date of the advance until repaid.

### **No Sale of Mortgaged Property.**

Except for Permitted Encumbrances and as in the Deed of Trust or in the Indenture, the Base Lease or the Lease Purchase Agreement specifically provided, Grantor will not sell, encumber, lease, transfer or assign or otherwise dispose of the Mortgaged Property or any interest therein, including the rents, income or profits from the Mortgaged Property without the prior written consent of the Beneficiary and the Credit Facility Provider.

### **Liability of a Third Party.**

In the event any part of the Mortgaged Property shall be destroyed or damaged by any party or by any cause whereby Grantor becomes entitled to indemnity therefore from any third person or persons, Grantor, for the considerations named, does by the Deed of Trust sell, assign and transfer to Trustee all of such sum or sums so due from any such third person or persons, and Trustee is hereby authorized to receive, collect and sue for the same and Grantor by the Deed of Trust authorizes and directs that such sum or sums be paid to Trustee upon presentation of a copy hereof duly certified by an officer of the Beneficiary. Any and all sums received by Trustee hereunder, after deducting therefrom the reasonable charge or expenses paid or incurred in connection with the collection and disbursement of said moneys, shall be used and applied as set forth in the Lease Purchase Agreement.

### **Title Insurance.**

Concurrently with the execution hereof, the Grantor shall deliver to the Beneficiary title insurance policies with respect to the Mortgaged Property in compliance with the provisions of the Lease Purchase Agreement. The insurance required by this Section may be paid for out of the proceeds of the Series 2007 Bonds.



**Damage, Destruction and Condemnation.**

In case of any damage to or destruction of all or any part of the Mortgaged Property or in the case of a taking of all or any part of the Mortgaged Property or any right therein under the exercise of the power of eminent domain or any loss thereof because of failure of title thereto or the commencement of any proceedings or negotiations which might result in such a taking or loss, the Grantor shall comply with the provisions of the Lease Purchase Agreement.

**Base Lease and Lease Purchase Agreement.**

The Grantor shall comply with the provisions of the Lease Purchase Agreement and the Base Lease and shall give immediate written notice to the Beneficiary of any default by the Grantor, the City or the Board under the Lease Purchase Agreement or the Base Lease or of any notice received by the Grantor, the City or the Board from the other of any default under the Lease Purchase Agreement or the Base Lease.

The Grantor shall not surrender the leasehold estate and interests in the Deed of Trust conveyed nor terminate or cancel the Base Lease creating such estate and interests, and the Grantor shall not, without the express written consent of Beneficiary, alter or amend the Base Lease.

The Grantor agrees that the Lease Purchase Agreement and the leasehold estate created thereby shall always be and are by the Deed of Trust made subordinate, subject, and inferior to the lien created hereby on the estates in the real estate described in the Deed of Trust, so that said Lease Purchase Agreement will no longer affect said real estate after any foreclosure hereunder or sale by the Trustee hereunder.

The Grantor will at all times fully perform and comply with all agreements, covenants, terms and conditions imposed upon or assumed by it as tenant under the Base Lease and that if the Grantor shall fail to do so, the Beneficiary may (but shall not be obligated to) take any action the Beneficiary deems necessary or desirable to prevent or to cure any default by the Grantor in the performance or compliance with Grantor's covenants or obligations under the Base Lease. Upon receipt by the Beneficiary of any written notice of default by the Grantor under the Base Lease, the Beneficiary may rely thereon and take any action as aforesaid to cure such default even though the existence of such default or the nature thereof be questioned or denied by the Grantor or by any party on behalf of the Grantor. The Grantor by the Deed of Trust expressly grants to the Beneficiary, and agrees that the Beneficiary shall have, the absolute and immediate right to enter in and upon the premises subject to the Deed of Trust or any part thereof to such extent and as often as the Beneficiary, in its sole discretion, deems necessary or desirable in order to prevent or to cure any such default by the Grantor. The Beneficiary may pay and expend such sums of money as the Beneficiary in its sole discretion deems necessary for any such purpose. All sums so paid and expended by the Beneficiary, and the interest thereon shall be added to and be secured by the lien of the Deed of Trust.

The Grantor shall not surrender the Mortgaged Property or any other interest in the Deed of Trust described, nor terminate or cancel the Base Lease and as further security for payments under the Lease Purchase Agreement and for performance of the contracts in the Deed of Trust and in the Base Lease contained, the Grantor by the Deed of Trust assigns to the Trustee all of its rights, privileges and prerogatives as lessee under the Base Lease to terminate, cancel, modify, change, supplement, alter and amend the Base Lease, and any such termination, cancellation, modification, change, supplement, alteration or amendment of the Base Lease without the prior written consent thereto by the Beneficiary shall be void and of no force and effect.

**Extensions, Modifications or Amendments to Base Lease.**

The Grantor shall file with the Trustee and the Beneficiary copies of any renewals, amendments, extensions or modifications of the Base Lease within five days of execution thereof. Any renewal of the Base Lease or amendment to Base Lease shall be recorded in the real estate records of the City of St. Louis, Missouri, immediately following the execution thereof.

**Events of Default.**

An "event of default" hereunder shall be:

- (a) failure of Grantor to make any payment due under the Indenture; or
- (b) the occurrence of any Event of Default as defined in the Indenture or the Lease Purchase Agreement; or
- (c) other than a default under subparagraph (a) above, the failure of Grantor to do, perform or observe or cause to be done, performed or observed any term, covenant, condition or provision hereof which Grantor is to perform within 30 days after written notice thereof to Grantor by Trustee or the Beneficiary or Grantor breaches any covenant set forth in the Deed of Trust or any representation or warranty of the Grantor in the Deed of Trust proves to be untrue.

**Trustee's Powers.**

During the continuance of any such event of default, the Trustee with or without entry, personally or by attorney, may proceed to protect and enforce his rights and the rights of Beneficiary by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement contained in the Deed of Trust, or in aid of the execution of any power in the Deed of Trust granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce any of the rights or duties hereunder.

**Trustee May Enter and Take Possession, Operate and Apply Income.**

During the continuance of any such event of default hereunder, the Trustee personally or by his agents or attorneys, may with the prior written consent of the Credit Facility Provider and shall if directed in writing by the Credit Facility Provider enter into and upon all or any part of the Mortgaged Property and each and every part thereof, and may with the prior written consent of the Credit Facility Provider and shall if directed in writing by the Credit Facility Provider exclude Grantor, its agents and servants wholly therefrom; and having and holding the same, may with the prior written consent of the Credit Facility Provider and shall if directed in writing by the Credit Facility Provider use, operate, manage and control the Mortgaged Property for any lawful purpose and upon every such entry, the Trustee at the expense of Grantor from time to time, either by purchase, repairs or construction, may with the prior written consent of the Credit Facility Provider and shall if directed in writing by the Credit Facility Provider maintain and restore the Mortgaged Property whereof it shall become possessed as aforesaid, and may with the prior written consent of the Credit Facility Provider and shall if directed in writing by the Credit Facility Provider insure and reinsure the same as may seem to him to be judicious: and likewise, from time to time at the expense of Grantor, the Trustee may with the prior written consent of the Credit Facility Provider and shall if directed in writing by the Credit Facility Provider make all necessary or proper repairs, renewals, replacements, alterations, additions, betterments and improvements thereto and thereon as to him may seem judicious: and the Trustee shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and income of the same and every part thereof; and after

deducting the expenses of operations, maintenance, repairs, renewals, replacements, alterations, additions, betterments and improvements and all payments which may be made for taxes, assessments, insurance and prior or other proper charges upon the Mortgaged Property or any part thereof, as well as all advances by the Trustee and reasonable compensation for the services of the Trustee and for all counsel and agents and clerks and other employees by him properly engaged and employed, the Trustee shall deposit the moneys arising as aforesaid in the Bond Fund (as defined in the Indenture).

### **Foreclosure and Sale of Mortgaged Property.**

Upon the occurrence of any event of default under the Deed of Trust, Trustee, at the request of the Credit Facility Provider or the Beneficiary with the prior written consent of the Credit Facility Provider, shall proceed to sell, either by himself or by agent or attorney, the Grantor's leasehold interest in the Mortgaged Property and every part thereof at public vendue or outcry at the customary time and place of sale then used for such purposes in the City of St. Louis, State of Missouri, to the highest bidder for cash after first giving notice as required by law. Upon such sale or sales made by Trustee under the power in the Deed of Trust granted or upon any sale or sales under or by virtue of any judicial proceedings: (i) the whole of the Mortgaged Property, real, personal and mixed, may be sold in one parcel as an entirety, or the Mortgaged Property may be sold in separate parcels as may be determined by Trustee in his discretion; and (ii) Trustee shall receive the proceeds of such sale or sales and shall execute and deliver deed or deeds or other appropriate instruments of conveyance, assignment or transfer of the property sold to the purchaser or purchasers thereof, and any deed or other instrument of conveyance, assignment or transfer made and delivered by Trustee in pursuance of the powers granted and conferred in the Deed of Trust, and all recitals therein contained shall be prima facie evidence of the facts therein set forth. Each time it shall become necessary to insert an advertisement of foreclosure, and sale is not had, Trustee shall be entitled to receive from Grantor the sum of One Hundred Dollars (\$100.00) for services and the amount of all advertising charges and the fees of counsel and agents, all of which shall be further secured by the Deed of Trust.

### **Sale a Bar.**

Any sale or sales pursuant to the Deed of Trust shall operate to divest all estate, right, title, interest, claim or demand whatsoever, whether at law or in equity, of Grantor, in and to the premises, property, privileges and rights so sold, and shall be a perpetual bar both at law and in equity against Grantor, its successors and assigns, and against any and all persons claiming or who may claim the same, or any part thereof, from, through or under Grantor, its successors or assigns.

### **Receipt Sufficient Discharge for Purchaser.**

The receipt of the Trustee or of the court officer conducting any such sale for the purchase money paid at any such sale shall be a sufficient discharge therefor to any purchaser of the property, or any part thereof, sold as aforesaid; and no such purchaser or his representatives, grantees or assigns, after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money upon or for purpose of the Deed of Trust, or shall be answerable in any manner whatsoever for any loss, misapplication or non-application of any such purchase money or any part thereof, nor shall any such purchaser be bound to inquire as to the necessity or expediency of any such sale.

**Sale to Accelerate Amounts Payable Under the Bonds and the Indenture.**

In the event of any sale pursuant to the Deed of Trust, amounts payable under the Bonds and the Indenture, if not previously due, immediately thereupon shall become due and payable if the prior written consent of the Credit Facility Provider to such acceleration is obtained, anything in the Bonds, the Indenture, the Deed of Trust or any other document to the contrary notwithstanding.

**Application of Proceeds of Sale.**

The purchase money, proceeds or avails of any such sale, together with any other sums which then may be held by the Trustee under the Deed of Trust as part of the Mortgaged Property or the proceeds thereof, shall be applied to pay amounts due by Grantor under the Bonds, the Indenture and hereunder as provided in the Indenture.

**Purchase of Mortgaged Property.**

Upon any sale pursuant to the Deed of Trust of all or of any portion of the Grantor's leasehold interest in the Mortgaged Property pursuant to judicial proceedings, the Beneficiary, the Board, or any holder of any Bonds may bid for and purchase the property being sold, and upon compliance with the terms of sale, the Beneficiary, the Board, or any holder of any Bonds may hold, retain, possess and dispose of such property in its own absolute right without further accountability. Any payments received from the Beneficiary or any holder of any Bonds pursuant hereto shall be applied in accordance with the Indenture. The Beneficiary may make payment for such Mortgaged Property by presenting to the Trustee the Indenture secured hereby so that there may be endorsed as paid thereon the amount of such bid which is to be applied to the payment of such Indenture, as the case may be.

**Trustee Entitled to Appointment of Receiver.**

Grantor further agrees that upon the happening of any event of default and thereafter during the continuance of such event of default unless the same shall have been waived as in the Deed of Trust provided, the Trustee shall be entitled as a matter of right, if the Trustee shall so elect, (i) forthwith and without causing the Trustee to declare the amounts payable under the Indenture to be due and payable, or (ii) after declaring the same to be due and payable, or (iii) upon the filing of any suit to foreclose the Deed of Trust or to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Beneficiary or the Trustee, to the appointment of a receiver or receivers of the Mortgaged Property and of all the earnings, revenues, rents, issues, profits and income thereof, with such powers as the court making such appointment shall confer, which may comprise any or all of the powers which the Trustee is authorized to exercise by the provisions of the Deed of Trust. Grantor, if requested so to do by the Trustee, will consent to the appointment of any such receiver as aforesaid. Trustee or Beneficiary may be appointed as such receiver, and if so appointed, shall serve without bond.

**Waiver of Extension, Appraisement, Stay, Redemption, Laws.**

To the extent permitted by law, Grantor will not during the continuance of any event of default under the Deed of Trust insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of, any stay, redemption, or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance of the Deed of Trust; or claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the valuation or appraisement of the Mortgaged Property, or any part thereof, prior to any sale or sales thereof which may be made pursuant to any provision contained in the Deed of Trust, or pursuant to the decree, judgment or

order of any court of competent jurisdiction: or after any such sale or sales, claim or exercise of any right under any statute heretofore or hereafter enacted by the United States of America or by but to suffer and permit the execution of every power as though no such law or laws had been made or enacted.

#### **Remedies Subject to Provision of Law.**

All rights, remedies and powers provided by the Deed of Trust may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions described in this section are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render the Deed of Trust invalid or unenforceable under the provisions of any applicable law.

#### **Release of Mortgaged Property.**

The Grantor, Trustee and the Beneficiary shall from time to time enter into amendments and modifications of the Deed of Trust to release from the lien of the Deed of Trust such portion or portions of the Mortgaged Property with respect to which the Board has exercised its rights under the Lease Purchase Agreement. Upon compliance with the provisions of the Lease Purchase Agreement, the Beneficiary, on demand of the Grantor and at the Grantor's cost and expense, shall execute and deliver to the Grantor a proper instrument or proper instruments acknowledging the partial release of the Deed of Trust.

#### **Amendments to the Deed of Trust.**

Grantor, Trustee and the Beneficiary may from time to time enter into amendments, changes and modifications of the Deed of Trust as shall be mutually agreeable, but only with the consent of the Trustee, the Credit Facility Provider, the City and the Board, and if required by the terms of the Indenture, the consent of the holders of the requisite aggregate principal amount of the Bonds then outstanding.

#### **Defeasance.**

If Grantor shall pay and discharge or provide, in a manner satisfactory to the Beneficiary, for the payment and discharge of the whole amount of all sums payable hereunder, including all sums owing and other obligations under the Indenture, or shall make arrangements satisfactory to the Beneficiary and the Credit Facility Provider for such payment and discharge, and if all sums owing under the Bonds and the Indenture are paid and all other obligations under the Indenture are satisfied, then and in that case all property, rights and interest hereby conveyed or assigned or pledged shall revert to Grantor, and the estate, right, title and interest of the Trustee and Beneficiary therein shall thereupon cease, terminate and become void; and the Deed of Trust, and the covenants of Grantor contained in the Deed of Trust, shall be discharged and the Beneficiary in such case on demand of Grantor and at Grantor's cost and expense, shall execute and deliver to Grantor a proper instrument or proper instruments acknowledging the satisfaction and termination of the Deed of Trust and shall convey, assign and transfer or cause to be conveyed, assigned or transferred, and shall deliver or cause to be delivered to Grantor, all property, including money, then held by the Beneficiary hereunder, to be applied by Grantor as provided in the Indenture.

**Deed of Trust for Benefit of Parties Hereto and Credit Facility Provider.**

Nothing in the Deed of Trust, express or implied, is intended or shall be construed to confer upon, or to give to, any person, other than the parties hereto and the Credit Facility Provider, any right, remedy or claim under or by reason of the Deed of Trust or any covenant, condition or stipulation hereof, and the covenants, stipulations and agreements in the Deed of Trust contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns and the Bondholders.

**Severability.**

In case any one or more of the provisions contained in the Deed of Trust shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in the Deed of Trust and therein shall not in any way be affected or impaired thereby.

**Limitation on Interest.**

No provisions of the Deed of Trust shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any excess of interest in such respect is in the Deed of Trust provided for, or shall be adjudicated to be so provided for in the Deed of Trust, neither Grantor nor its successors or assigns shall be obligated to pay such interest in excess of the amount permitted by law, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any provisions of the Deed of Trust inconsistent with this provision.

**Extension.**

Beneficiary may take additional security for the indebtedness secured hereby without releasing or impairing the security of the Deed of Trust. Beneficiary may resort for the payment of the indebtedness secured hereby to any other security therefor held by Beneficiary in such order and manner as Beneficiary may elect.

**Personal Property.**

Grantor has by the Deed of Trust granted and transferred to Beneficiary a security interest in the Chattel Property. Upon a default by Grantor, Beneficiary shall, at its option and without notice or demand, be entitled to enter upon the Mortgaged Property to take immediate possession of the Chattel Property. Upon request, Grantor shall assemble and make the Chattel Property available to Beneficiary at a place designated by Beneficiary which is reasonably convenient to both parties. Beneficiary may propose to retain the Chattel Property in partial satisfaction of the indebtedness secured hereby or sell all or any portion of the Chattel Property at public or private sale in accordance with the Uniform Commercial Code as adopted in Missouri or in accordance with the foreclosure advertisement and sale provisions under the Deed of Trust.

**Nonrecourse.**

Notwithstanding anything in the Deed of Trust to the contrary, no recourse shall be had against the Grantor or its members, officers, agents, or employees for the payments of amounts due hereunder, and neither the Beneficiary nor the Trustee shall bring or maintain any suit, action or other proceeding against the Grantor or its members, officers, agents, or employees for such payment, it being understood that the Beneficiary and the Trustee will look, insofar as the Grantor and its commissioners, officers, agents, or employees are concerned, solely to the rents and revenues of the Mortgaged Property and pursuant to the collateral under the Deed of Trust (including, without limitation, the rents, profits or proceeds thereof) for payment of the Grantor's obligations hereunder, and no other property or assets of the Grantor shall be subject to levy, execution or other enforcement procedure for the satisfaction of the Grantor's indebtedness hereunder; provided that the foregoing provisions shall not constitute a waiver of

any obligations of the Grantor hereunder and shall not limit the right of the Beneficiary or the Trustee to name the Grantor as a party defendant in any action or suit for a judicial foreclosure or sale under the Deed of Trust, or prevent the enforcement by way of specific performance or recourse to and enforcement of the Deed of Trust, the Bonds, the Indenture, or the Lease or for the exercise of any remedies provided for in the Deed of Trust, the Bonds, the Indenture or the Lease so long as no judgment in the nature of a deficiency judgment shall be asked or taken against the Grantor.

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**APPENDIX E**  
**BOOK-ENTRY SYSTEM**

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## APPENDIX E

### BOOK-ENTRY SYSTEM

*The information in this Appendix concerning DTC and DTC's Book-Entry System has been obtained from sources that the Corporation, the City, and the Underwriters believe to be reliable, but neither the Corporation, the City nor the Underwriters take any responsibility for the accuracy of such information, and the DTC participants and the Beneficial Owners should not rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC participants, as the case may be.*

**General.** Ownership interests in the Series 2007 Bonds will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by DTC, New York, New York, which will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. Initially, one fully-registered certificate will be issued for each maturity of the Series 2007 Bonds, in the aggregate principal amount of each maturity of the Series 2007 Bonds, and will be deposited with DTC. The following discussion will not apply to any Series 2007 Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry System, as described below.

**So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2007 Bonds, the Beneficial Owners of the Series 2007 Bonds will not receive or have the right to receive physical delivery of the Series 2007 Bonds, and references herein to the Bondholders or registered owners of the Series 2007 Bonds mean Cede & Co. and not the Beneficial Owners of the Series 2007 Bonds.**

**DTC and its Participants.** DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtcc.org](http://www.dtcc.org).

**Purchase of Ownership Interests.** Purchases of Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on

DTC's records. The ownership interest of each actual purchaser of a Series 2007 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

***Transfers.*** To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

***Notices.*** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2007 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2007 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2007 Bond documents. For example, Beneficial Owners of Series 2007 Bonds may wish to ascertain that the nominee holding the Series 2007 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

***Redemption.*** Redemption notices shall be sent to DTC. If less than all of the Series 2007 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2007 Bonds to be redeemed.

***Voting.*** Neither DTC nor Cede & Co. will consent or vote with respect to Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation, as issuer, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

***Payments of Principal and Interest.*** Payments of the principal of, and interest and premium, if any, on the Series 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2007 Bonds to Cede & Co. is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the

responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

***Discontinuation of Book-Entry System.*** DTC may discontinue providing its services as securities depository with respect to the Series 2007 Bonds at any time by giving notice to the Corporation or the Trustee. Bond certificates may be printed and delivered to those persons to whom transfer is requested in written transfer instruction in the event that (a) DTC shall so resign or discontinue its services for the Series 2007 Bonds and the Corporation is unable to locate a qualified successor within two months following such resignation, (b) the Corporation determines that DTC is incapable of discharging its duties and the Corporation is unable to locate a qualified successor within two months following such determination, or (c) upon a determination by the Corporation that the continuation of a book-entry system described herein, which precludes the issuance of certificates to any Holder other than DTC (or its nominee) is no longer in the best interest of the beneficial owners of the Series 2007 Bonds, then the Corporation shall notify the beneficial owners of such resignation or determination and of the availability of Replacement Bonds to beneficial owners of the Series 2007 Bonds requesting the same and registration, transfer and exchange of such Series 2007 Bonds will be conducted as provided in the Indenture.

THE CITY, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2007 BONDS; (III) THE DELIVERY BY ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2007 BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

DURING THE PERIOD THAT CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2007 BONDS, ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO CEDE & CO. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE DIRECT PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE INDIRECT PARTICIPANTS AND THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE DIRECT PARTICIPANTS OR BY THE DIRECT PARTICIPANT TO THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS. ANY FAILURE BY DTC TO ADVISE ANY DIRECT PARTICIPANT, OR ANY FAILURE BY ANY DIRECT PARTICIPANT TO NOTIFY ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.

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## **APPENDIX F**

### **FORM OF OPINION OF CO-BOND COUNSEL**

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## APPENDIX F

### FORM OF OPINION OF CO-BOND COUNSEL

December 13, 2007

St. Louis Municipal Finance Corporation  
St. Louis, Missouri

City of St. Louis, Missouri  
St. Louis, Missouri

Wachovia Securities  
St. Louis, Missouri

UMB Bank, N.A.  
St. Louis, Missouri

Financial Security Assurance, Inc.  
New York, New York

*Re:     \$25,000,000 St. Louis Municipal Finance Corporation Police Capital Improvements  
Leasehold Revenue Bonds Series 2007 (City Of St. Louis, Missouri, Lessee)*

We have acted as Co-Bond Counsel in connection the issuance by St. Louis Municipal Finance Corporation (the “Corporation”) of the above-referenced bonds (the “Series 2007 Bonds”) pursuant to a Resolution adopted by the Corporation on November 5, 2007 (the “Resolution”). In such capacity, we have examined such law and such certified proceedings and other documents and materials as we deem necessary to enable us to render this opinion, including the following documents (collectively the “Transaction Documents”):

1. Ordinance No. 67618 adopted by the Board of Aldermen on July 20, 2007, and approved by the Mayor of the City July 30, 2007;
2. Resolution adopted by the Board of Directors of the Corporation on November 5, 2007 authorizing, among other things, the issuance, sale and delivery of the Series 2007 Bonds;
3. Resolution adopted by the Board of Commissioners of the Board on October 17, 2007 approving the Transaction Documents to which they are a party;
4. Communications Property Base Lease dated as of December 1, 2007 between the City of St. Louis, Missouri (the “City”) and the Corporation;
5. Premises Base Lease dated as of December 1, 2007 between the Board of Police Commissioners of the Metropolitan Police Department of the City of St. Louis, Missouri (the “Board”) and the Corporation;
6. Indenture of Trust dated as of December 1, 2007 (the “Indenture”), by and between the Corporation and UMB Bank, N.A., as Trustee (the “Trustee”);

7. Lease Purchase Agreement dated as of December 1, 2007 (the "Lease Purchase Agreement"), by and among the Corporation, the Board and the City;
8. Deed of Trust and Security Agreement (the "Deed of Trust"), dated as of December 1, 2007, by and among the Corporation, the Trustee and the Mortgage Trustee named therein;
9. Bond Purchase Agreement dated December 4, 2007, by and between the Corporation, the City and Wachovia Securities, as Representative of the Underwriters, as defined therein;
10. Tax Compliance Agreement (the "Tax Agreement") dated as of December 1, 2007, by and among the Corporation, the City and the Bond Trustee;
11. Continuing Disclosure Agreement dated as of December 1, 2007, by and between the City and the Bond Trustee;
12. Bond Insurance Policy;
13. Surety Bond, and
14. Official Statement (the "Official Statement") dated December 4, 2007 of the Corporation.

As to questions of fact material to this opinion, we have relied upon representations of the Corporation and the City, the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We note that (i) various issues with respect to bond insurance in connection with the Series 2007 Bonds are addressed in the opinion of the Vice President and Assistant General Counsel of Financial Security Assurance, Inc.; (ii) various issues with respect to the City in connection with the Series 2007 Bonds are addressed in the opinion of the City Counselor; (iii) various issues with respect to the Board in connection with the Series 2007 Bonds are addressed in the opinion of the Board's Counsel; and (iv) various issues with respect to the Corporation in connection with the Series 2007 Bonds are addressed in the opinion of the Corporation's Counsel. Except as otherwise stated herein, we express no opinion with respect to those issues.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Series 2007 Bonds have been duly authorized, executed and delivered by the Corporation and, when duly authenticated and delivered by the Bond Trustee, will be valid and binding limited obligations of the Corporation payable in accordance with the Indenture, will be entitled to the benefits and security of the Indenture, and will evidence proportionate interests in the right to receive Rentals from the City under the Lease Purchase Agreement. Neither the Lease Purchase Agreement nor the Series 2007 Bonds constitute an indebtedness of the Corporation, the City or the State of Missouri or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power, if any, of the Corporation or the City is pledged to the payment of the Rentals or any other payments under the Lease Purchase Agreement or to the payment of the Series 2007 Bonds.

2. The interest on the Series 2007 Bonds (including any original issue discount properly allocable to the owners thereof) is excludable from gross income for federal and Missouri income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that each of the parties to the Tax Agreement, the Indenture and the Lease Purchase Agreement complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2007 Bonds in order that interest thereon (including any original issue discount properly allocable to the owners thereof) be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. Each of the parties to the Tax Agreement, the Indenture and the Lease Purchase Agreement has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Series 2007 Bonds (including any original issue discount properly allocable to the owners thereof) to be includable in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2007 Bonds. We express no opinion as to whether the interest on the Series 2007 Bonds (including any original issue discount properly allocable to the owners thereof) is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended.

3. All of the Series 2007 Bonds maturing on 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2018, 2023 and 2033 (collectively, the "Premium Bonds") are being offered at prices greater than their principal amounts. Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." We are of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of the amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax exempt income for purposes for determining various other tax consequences of owning such Bonds.

Except as stated in paragraphs 2 and 3 above, we express no opinion regarding any other federal or state tax consequences with respect to the Series 2007 Bonds.

It is to be understood that the rights of the owners of the Series 2007 Bonds and the enforceability of the Series 2007 Bonds and the Transaction Documents may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity.

Except as set forth in our supplemental opinion of even date herewith, we have not been engaged or undertaken to review the accuracy, adequacy or completeness of any offering material relating to the Series 2007 Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and it may not be used or relied upon by, or published or communicated to, any third party for any purpose whatsoever without our prior written consent.

December 13, 2007

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We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

The opinions set forth above are based on existing law, and we do not undertake to advise you of any matters which may come to our attention subsequent to the date hereof and which may affect the legal opinions expressed herein.

Very truly yours,

## **APPENDIX G**

### **FORM OF MUNICIPAL BOND INSURANCE POLICY**

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**FINANCIAL  
SECURITY  
ASSURANCE®**

## **MUNICIPAL BOND INSURANCE POLICY**

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment



made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
31 West 52<sup>nd</sup> Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)



## **APPENDIX H**

### **FORM OF MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY**

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**FINANCIAL  
SECURITY  
ASSURANCE®**

## **MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY**

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Security will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy. Upon such payment, Financial Security shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the **[Bond Document or] Insurance Agreement**. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond and all insurance policies in respect of the Bond, to the extent of any payment by Financial Security hereunder.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Financial Security by or on behalf of the Issuer. Within three Business Days of such reimbursement, Financial Security shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Financial Security incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that Financial Security has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the



date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$ . The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document. "Termination Date" means the earlier of and the date the are no longer outstanding under the Bond Document.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 501B NY (8/96)